

Report of Audit
on the
Financial Statements
of the
Borough of Watchung
in the
County of Somerset
New Jersey
for the
Year Ended
December 31, 2010

BOROUGH OF WATCHUNG

I N D E X

	<u>PAGES</u>
<u>PART I</u>	
Independent Auditor's Report	1-2
	<u>EXHIBITS</u>
<u>Financial Statements - Statutory Basis</u>	
<u>Current Fund:</u>	
Balance Sheets - Statutory Basis	"A"
Statements of Operations and Change in Fund Balance - Statutory Basis	"A-1"
Statement of Revenues - Statutory Basis Year Ended December 31, 2010	"A-2"
Statement of Expenditures - Statutory Basis Year Ended December 31, 2010	"A-3"
<u>Trust Fund:</u>	
Balance Sheets - Statutory Basis	"B"
Assessment Trust Fund - Statement of Fund Balance - Statutory Basis	"B-1"
<u>General Capital Fund:</u>	
Balance Sheets - Statutory Basis	"C"
Statement of Fund Balance - Statutory Basis	"C-1"
<u>Public Assistance Trust Fund:</u>	
Balance Sheets - Statutory Basis	"E"
<u>General Fixed Assets Account Group:</u>	
Balance Sheets - Statutory Basis	"F"
	<u>PAGES</u>
Notes to Financial Statements - December 31, 2010	3-18

BOROUGH OF WATCHUNG

INDEX (CONTINUED)

Supplementary Schedules

EXHIBITS

Current Fund:

Schedule of Cash-Treasurer	"A-4"
Schedule of Petty Cash Funds	"A-5"
Schedule of Change Funds	"A-6"
Schedule of Accounts Payable	"A-7"
Schedule of Taxes Receivable and Analysis of Property Tax Levy	"A-8"
Schedule of Revenue Accounts Receivable	"A-9"
Schedule of Grants Receivable	"A-10"
Schedule of 2009 Appropriation Reserves	"A-11"
Schedule of Reserve for Reserve for Grants - Unappropriated	"A-12"
Schedule of Reserve for Tax Appeals	"A-13"
Schedule of Due from State of New Jersey Per Chapter 20, P.L. 1971	"A-14"
Schedule of County Taxes Payable	"A-15"
Schedule of Local District School Taxes Payable	"A-16"
Schedule of Regional High School Taxes Payable	"A-17"
Schedule of Tax Overpayments	"A-18"
Schedule of Prepaid Taxes	"A-19"
Schedule of Due to State of New Jersey - DCA	"A-20"
Schedule of Prepaid Licenses	"A-21"
Schedule of Reserve for Grants - Appropriated	"A-22"
Schedule of Due to State of New Jersey - Burial Permits	"A-23"
Schedule of Tax Title Liens	"A-24"
Schedule of Interfunds	"A-25"
Schedule of Accounts Payable - Grant Fund	"A-26"

Trust Fund:

Schedule of Cash-Treasurer	"B-2"
Schedule of Assessments Receivable - Assessment Trust Fund	"B-3"
Schedule of Due Current Fund - Assessment Trust Fund	"B-4"
Schedule of Prospective Assessments Funded - Assessment Trust Fund	"B-5"
Schedule of Amount to be Raised by Taxation - Assessment Trust Fund	"B-6"
Schedule of Due Current Fund - Animal Control Trust Fund	"B-7"
Analysis of Assessments Cash - Assessment Trust Fund	"B-8"
Schedule of Reserve for Accounts Payable - Other Trust Fund	"B-9"
Schedule of Reserve for Open Space Deposits - Other Trust Fund	"B-10"
Schedule of Reserve for State Unemployment Compensation Insurance	"B-11"
Schedule of Reserve for COAH Trust Deposits - Other Trust Fund	"B-12"
Schedule of Reserve for Miscellaneous Trust Deposits - Other Trust Fund	"B-13"
Schedule of Reserve for Animal Control Expenditures - Animal Control Trust Fund	"B-14"
Schedule of Reserve for Police Outside Overtime - Other Trust Fund	"B-15"

BOROUGH OF WATCHUNG

I N D E X (CONTINUED)

EXHIBITS

Trust Fund (Continued):

Schedule of Reserve for Assessments - Assessment Trust Fund	"B-16"
Schedule of Due General Capital Fund - Assessment Trust Fund	"B-17"
Schedule of Due Current Fund - Other Trust Fund	"B-18"
Schedule of Reserve for Recreation Deposits - Other Trust Fund	"B-19"
Schedule of Reserve for Law Enforcement Trust Fund - Other Trust Fund	"B-20"
Schedule of Reserve for Developers' Deposits - Other Trust Fund	"B-21"
Schedule of Due State of New Jersey - Dog Licenses - Animal Control Trust Fund	"B-22"
Schedule of Reserve for Redemption of Outside Liens - Other Trust Fund	"B-23"
Schedule of State of New Jersey Trust Loan Payable – New Jersey Environmental Infrastructure Trust Loan	"B-24"
Schedule of State of New Jersey Trust Loan Payable – New Jersey Environment Infrastructure Fund Loan	"B-25"
Schedule of Reserve for Payroll Deductions – Other Trust Fund	"B-26"

General Capital Fund:

Schedule of Cash-Treasurer	"C-2"
Analysis of Cash	"C-3"
Schedule of Deferred Charges to Future Taxation - Funded	"C-4"
Schedule of Deferred Charges to Future Taxation - Unfunded	"C-5"
Schedule of Reserve for Debt Service	"C-6"
Schedule of Contracts Payable	"C-7"
Schedule of Capital Improvement Fund	"C-8"
Schedule of Due Assessment Trust Fund	"C-9"
Schedule of Improvement Authorizations	"C-10"
Schedule of General Serial Bonds	"C-11"
Schedule of State of New Jersey Trust Loan Payable – New Jersey Environmental Infrastructure Trust Loans	"C-12"
Schedule of State of New Jersey Fund Loan Payable – New Jersey Environmental Infrastructure Fund Loans	"C-13"
Schedule of State of New Jersey Loan Payable - Economic Development Authority	"C-14"
Schedule of State of New Jersey Loan Payable - Green Trust Loan Program	"C-15"
Schedule of State Aid Receivable	"C-16"
Schedule of Bond Anticipation Notes Payable	"C-17"
Schedule of Reserve for Grant Receivable	"C-18"
Schedule of Due Current Fund	"C-19"
Schedule of Bonds and Notes Authorized But Not Issued	"C-20"

BOROUGH OF WATCHUNG

I N D E X (CONTINUED)

EXHIBITS

Public Assistance Trust Fund:

Schedule of Public Assistance Cash
Schedule of Reserve for Public Assistance

"E-1"
"E-2"

PAGES

PART II

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	19-20
Schedule of Expenditures of Federal Awards - Year Ended December 31, 2010	21
Schedule of Expenditures of State Financial Assistance Year Ended – December 31, 2010	22
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended December 31, 2010	23-24

PART III

Statistical Data	25-27
Officials in Office and Surety Bonds	28-29
General Comments and Recommendations	30-33

BOROUGH OF WATCHUNG

PART I

INDEPENDENT AUDITOR'S REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES AND DATA

FINANCIAL STATEMENTS - STATUTORY BASIS - ALL FUNDS

NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS

SUPPLEMENTARY SCHEDULES - ALL FUNDS

YEAR ENDED DECEMBER 31, 2010 and 2009



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Watchung
County of Somerset
Watchung, New Jersey 07069

We have audited the accompanying financial statements - statutory basis of the various individual funds and the account group of the Borough of Watchung, County of Somerset, New Jersey as of and for the years ended December 31, 2010 and 2009, and for the year ended December 31, 2010 as listed as financial statements - statutory basis in the foregoing table of contents. These financial statements - statutory basis are the responsibility of the management of the Borough of Watchung, County of Somerset. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial statements contained in Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Borough of Watchung, County of Somerset, prepares its financial statements on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

SUPLEE, CLOONEY & COMPANY

In our opinion, because the Borough of Watchung prepares its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the various individual funds of the Borough of Watchung as of December 31, 2010 and 2009 or the results of its operations and changes in fund balance for the years then ended or the revenues or expenditures for the year ended December 31, 2010.

However, in our opinion, the financial statements - statutory basis present fairly, in all material respects, the financial position - statutory basis of the various individual funds and account groups of the Borough of Watchung, County of Somerset, as of December 31, 2010 and 2009, and the results of its operations and changes in fund balance - statutory basis for the years then ended and the revenues, expenditures and changes in fund balance - statutory basis for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 25, 2011 on our consideration of the Borough of Watchung's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements - statutory basis taken as a whole. The information included in the schedules of expenditures of federal awards and state financial assistance and the other supplementary schedules and data listed in the table of contents is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the Borough of Watchung, County of Somerset, New Jersey, the Division of Local Government Services and federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 50

July 25, 2011

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CURRENT FUND

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2010</u>	<u>BALANCE DECEMBER 31, 2009</u>
<u>ASSETS</u>			
Current Fund:			
Cash	A-4	\$ 3,185,448.60	\$ 3,353,870.25
Cash-Change Fund	A-6	250.00	250.00
Due State of NJ-Senior Citizen & Veteran Deductions	A-14	1,399.79	899.79
		<u>\$ 3,187,098.39</u>	<u>\$ 3,355,020.04</u>
Receivables and Other Assets With			
Full Reserves:			
Delinquent Property Taxes Receivable	A-8	\$ 470,887.19	\$ 399,312.03
Tax Title Liens	A-24	662.30	
Revenue Accounts Receivable	A-9	14,089.18	15,971.15
Interfunds Receivable	A-25	13.69	13.05
	A	<u>\$ 485,652.36</u>	<u>\$ 415,296.23</u>
		<u>\$ 3,672,750.75</u>	<u>\$ 3,770,316.27</u>
Grant Fund:			
Cash	A-4	\$ 195,728.64	\$ 259,876.72
Grant Aid Receivable	A-10	65,274.00	63,643.00
		<u>\$ 261,002.64</u>	<u>\$ 323,519.72</u>
	A	<u>\$ 3,933,753.39</u>	<u>\$ 4,093,835.99</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2010</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2009</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-11	\$ 551,802.79	\$ 494,285.91
Accounts Payable	A-7	124,359.35	230,630.52
Prepaid Taxes	A-19	166,035.66	204,965.22
Interfunds Payable	A-25	482,877.06	225,724.34
Tax Overpayments	A-18	796.23	5,888.47
Reserve For:			
Prepaid Licenses	A-21	935.00	
Due State of New Jersey - DCA	A-20	3,777.00	2,374.00
Due State of New Jersey - Burial Permits	A-23		10.00
Regional School Taxes Payable	A-17	121,570.30	
State Tax Appeals	A-13	85,276.96	185,276.96
		\$ 1,537,430.35	\$ 1,349,155.42
Reserve for Receivables and Other Assets	A	485,652.36	415,296.23
Fund Balance	A-1	1,649,668.04	2,005,864.62
		\$ 3,672,750.75	\$ 3,770,316.27
Grant Fund:			
Grants-Appropriated	A-22	\$ 227,685.04	\$ 307,571.64
Grants-Unappropriated	A-12	30,429.14	15,771.93
Accounts Payable	A-26	2,888.46	176.15
		\$ 261,002.64	\$ 323,519.72
	A	\$ 3,933,753.39	\$ 4,093,835.99

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENTS OF OPERATIONS
AND CHANGE IN FUND BALANCE - STATUTORY BASIS

		YEAR ENDED DECEMBER 31, 2010	YEAR ENDED DECEMBER 31, 2009
<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>		
Fund Balance Utilized	A-1:A-2	\$ 1,325,000.00	\$ 2,102,000.00
Miscellaneous Revenue Anticipated	A-2	3,548,953.13	3,616,251.61
Receipts From Delinquent Taxes	A-2	393,793.09	277,148.54
Receipts From Current Taxes	A-2	29,989,950.04	30,011,197.67
Non-Budget Revenue	A-2	140,416.65	124,210.41
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	385,741.43	613,829.36
Interfunds Returned			5,458.95
Tax Overpayments Canceled	A-18	87.91	
Canceled Reserves	A-13	100,000.00	
Accounts Payable Canceled	A-7	27,949.54	2,823.50
<u>TOTAL INCOME</u>		<u>\$ 35,911,891.79</u>	<u>\$ 36,752,920.04</u>
<u>EXPENDITURES</u>			
Budget and Emergency Authorizations:			
Operations:			
Salaries and Wages	A-3	\$ 4,616,643.00	\$ 4,930,647.21
Other Expenses	A-3	4,948,787.93	4,319,095.15
Capital Improvements	A-3		124,500.00
Municipal Debt Service	A-3	2,306,036.74	2,306,884.20
Deferred Charges and Statutory Expenditures	A-3		945,800.00
County Taxes	A-15	6,079,469.26	6,382,960.92
Local District School Tax	A-16	11,436,568.50	11,110,147.00
Regional High School Tax	A-17	5,555,582.30	5,468,196.86
Interfunds Advanced		0.64	
Municipal Open Space Tax			345,603.85
Refund of Prior Year Revenue			3,005.90
<u>TOTAL EXPENDITURES</u>		<u>\$ 34,943,088.37</u>	<u>\$ 35,936,841.09</u>
Excess in Revenue		\$ 968,803.42	\$ 816,078.95
Fund Balance, January 1	A	2,005,864.62	3,291,785.67
		<u>\$ 2,974,668.04</u>	<u>\$ 4,107,864.62</u>
Decreased by:			
Utilized as Anticipated Revenue	A-1:A-2	1,325,000.00	2,102,000.00
Fund Balance, December 31	A	<u>\$ 1,649,668.04</u>	<u>\$ 2,005,864.62</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

	<u>REF.</u>	<u>BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Fund Balance Anticipated	A-1	\$ 1,325,000.00	\$ 1,325,000.00	
Miscellaneous Revenues:				
Alcoholic Beverage Licenses	A-9	\$ 10,360.00	\$ 13,000.60	\$ 2,640.60
Other Licenses	A-2	17,639.00	20,207.50	2,568.50
Fees and Permits:				
Construction Code Official	A-9	140,000.00	197,643.00	57,643.00
Other	A-2	156,721.00	151,720.88	(5,000.12)
Municipal Court - Fines and Costs	A-9	230,000.00	250,409.41	20,409.41
Interest and Costs on Taxes	A-9	99,500.00	119,853.31	20,353.31
Interest on Investments and Deposits	A-9	18,000.00	22,296.87	4,296.87
Sewer Rents	A-9	1,115,000.00	1,141,802.40	26,802.40
Consolidated Municipal Property Tax Relief Aid	A-9	42,574.00	42,574.00	
Energy Receipts Tax	A-9	657,518.00	657,517.95	(0.05)
Clean Communities	A-10	12,007.02	12,007.02	
Safe & Secure	A-10	60,000.00	60,000.00	
NJ Body Armor	A-10	1,232.54	1,232.54	
Alcohol Education & Rehabilitation	A-10	1,357.37	1,357.37	
Recreation Trust Surplus	A-9	20,000.00	20,000.00	
Open Space Trust Fund Debt Payment	A-9	500,000.00	500,000.00	
Capital Surplus	A-9	300,000.00	300,000.00	
Uniform Fire Safety Act	A-9	29,000.00	28,770.28	(229.72)
Bulk Pickup Fees	A-9	10,400.00	8,560.00	(1,840.00)
<u>Sub-Total Miscellaneous Revenues</u>	A-1	\$ 3,421,308.93	\$ 3,548,953.13	\$ 127,644.20
Receipts From Delinquent Taxes	A-1	\$ 250,000.00	\$ 393,793.09	\$ 143,793.09
Amount to be Raised by Taxes for Support of Municipal Budget: Local Tax for Municipal Purposes	A-8:A-2	\$ 7,315,234.00	\$ 7,353,329.98	\$ 38,095.98
<u>Budget Totals</u>		\$ 12,311,542.93	\$ 12,621,076.20	\$ 309,533.27
Non-Budget Revenues	A-1:A-2		140,416.65	140,416.65
		\$ 12,311,542.93	\$ 12,761,492.85	\$ 449,949.92

REF. A-3

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

	<u>REF.</u>		
<u>ANALYSIS OF REALIZED REVENUES</u>			
Allocation of Current Tax Collections:			
Revenue From Collections	A-1:A-8	\$	29,989,950.04
Allocated To:			
Local District School Taxes	A-8	\$	11,436,568.50
Regional High School Taxes	A-8		5,555,582.30
County Taxes	A-8		<u>6,079,469.26</u>
			<u>23,071,620.06</u>
Balance for Support of Municipal Budget			
Appropriations		\$	6,918,329.98
Add: Appropriation "Reserve for Uncollected Taxes"	A-3		<u>435,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$	<u><u>7,353,329.98</u></u>
Other Licenses:			
Board of Health	A-9	\$	15,802.50
Registrar	A-9		75.00
Borough Clerk	A-9		<u>4,330.00</u>
	A-2	\$	<u><u>20,207.50</u></u>
Fees and Permits-Other:			
Board of Health	A-9	\$	885.00
Registrar	A-9		21,970.00
Borough Clerk	A-9		1,340.00
Engineering Department	A-9		37,505.00
Planning Board	A-9		1,640.00
Board of Adjustment	A-9		4,100.00
Police	A-9		5,632.40
Fire Official	A-9		1,708.00
Recreation	A-9		160.00
Tower Lease	A-9		<u>76,780.48</u>
	A-2	\$	<u><u>151,720.88</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

REF.

ANALYSIS OF NON-BUDGET REVENUE

Senior Citizens' and Veterans' Administrative Fee	\$	960.00
Bid Specs-Clerk		1,700.00
Miscellaneous		27,294.10
Cable TV Franchise Fees		28,828.51
Police Outside Overtime Administrative Fee		73,551.97
Sale of Surplus Items		134.00
Library Fines & Copies		6,568.07
Property Owners		160.00
Tax Collector		<u>1,220.00</u>
A-2:A-4	\$	<u><u>140,416.65</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

	APPROPRIATIONS		EXPENDED		UNEXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	BALANCE CANCELED
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT</u>					
Administrative and Executive:					
Salaries and Wages	\$ 83,694.00	\$ 83,694.00	\$ 83,694.00	\$	
Other Expenses	21,450.00	21,450.00	20,916.55	533.45	
Mayor & Council:					
Salaries and Wages	12,000.00	12,000.00	9,500.00	2,500.00	
Other Expenses	59,625.00	59,625.00	15,438.96	44,186.04	
Municipal Clerk:					
Salaries and Wages	149,100.00	149,100.00	149,019.17	80.83	
Other Expenses	16,775.00	16,775.00	15,246.78	1,528.22	
Elections:					
Other Expenses	2,350.00	2,350.00	1,974.12	375.88	
Financial Administration:					
Salaries and Wages	146,524.00	146,524.00	146,524.00		
Other Expenses	6,200.00	6,200.00	6,140.07	59.93	
Audit	31,175.00	31,175.00	31,175.00		
Assessment of Taxes:					
Salaries and Wages	65,500.00	65,500.00	65,500.00		
Other Expenses	31,710.00	31,710.00	16,417.61	15,292.39	
Collection of Taxes:					
Salaries and Wages	78,905.00	78,905.00	75,307.43	3,597.57	
Other Expenses	9,650.00	9,650.00	9,126.23	523.77	
Legal Services & Costs:					
Other Expenses	140,000.00	140,000.00	86,163.60	53,836.40	
Engineering Services & Costs:					
Salaries and Wages	101,700.00	101,700.00	99,312.86	2,387.14	
Other Expenses	87,750.00	87,750.00	76,836.55	10,913.45	
Public Building & Grounds:					
Salaries and Wages	70,000.00	70,000.00	30,500.24	39,499.76	
Other Expenses	60,800.00	60,800.00	60,638.47	161.53	
Bulk Clean Up	14,000.00	14,000.00	8,910.12	5,089.88	
Planning Board:					
Salaries and Wages	13,720.00	13,720.00	11,851.91	1,868.09	
Other Expenses	9,850.00	9,850.00	9,351.61	498.39	
Board of Adjustment:					
Salaries and Wages	25,500.00	25,500.00	25,500.00		
Other Expenses	4,225.00	4,225.00	2,115.16	2,109.84	
<u>PUBLIC SAFETY</u>					
Fire:					
Other Expenses	88,850.00	88,850.00	86,623.03	2,226.97	
Uniform Fire Safety Act (P.L.1983 Ch.383)					
Fire Official:					
Salaries and Wages	33,000.00	33,000.00	31,224.08	1,775.92	
Other Expenses	4,100.00	4,100.00	3,975.87	124.13	
Police:					
Salaries and Wages	3,056,000.00	3,056,000.00	3,049,350.45	6,649.55	
Other Expenses	149,136.00	149,136.00	133,842.73	15,293.27	
First Aid Organization Contributions	20,412.00	20,412.00	20,412.00		
Emergency Management Service:					
Other Expenses	1,600.00	1,600.00	75.00	1,525.00	
Public Defender:					
Salaries and Wages	100.00	100.00	100.00		
Municipal Court:					
Salaries and Wages	182,000.00	182,000.00	166,133.44	15,866.56	
Other Expenses	23,000.00	23,000.00	16,116.03	6,883.97	
Audit Services	5,000.00	5,000.00	5,000.00		
Streets & Roads:					
Salaries and Wages	320,000.00	320,000.00	290,242.18	29,757.82	
Other Expenses	102,900.00	102,900.00	91,234.83	11,665.17	
<u>HEALTH AND WELFARE</u>					
Board of Health:					
Salaries and Wages	1,200.00	1,200.00		1,200.00	
Dog Regulation:					
Other Expenses	8,900.00	8,900.00	7,946.70	953.30	
Public Assistance:					
Salaries and Wages	3,900.00	3,900.00	2,921.16	978.84	
Other Expenses	100.00	100.00	100.00		

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>HEALTH AND WELFARE (CONTINUED)</u>					
Sewer System:					
Salaries and Wages	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$	
Other Expenses	18,650.00	18,650.00	15,286.56	3,363.44	
Condo Act Reimbursement:					
Other Expenses	2,500.00	2,500.00	2,257.00	243.00	
<u>RECREATION AND EDUCATION (R.S.40:12-1)</u>					
Recreation:					
Salaries and Wages	47,400.00	47,400.00	47,330.60	69.40	
Other Expenses	44,145.00	44,145.00	34,092.05	10,052.95	
Traffic & Beautification:					
Other Expenses	2,450.00	2,450.00	894.55	1,555.45	
Community Service:					
Salaries and Wages	15,000.00	15,000.00	13,749.40	1,250.60	
Other Expenses	100.00	100.00		100.00	
Environmental Commission:					
Other Expenses	1,500.00	1,500.00	523.00	977.00	
Historical Preservation:					
Other Expenses	2,500.00	2,500.00	790.00	1,710.00	
<u>STATE UNIFORM CONSTRUCTION CODE</u>					
State Uniform Construction Code:					
Construction Code Official (Building Inspector):					
Salaries and Wages	86,000.00	86,000.00	75,674.29	10,325.71	
Other Expenses	22,500.00	22,500.00	16,257.22	6,242.78	
Plumbing Inspector:					
Salaries and Wages	20,000.00	20,000.00	18,512.88	1,487.12	
Electrical Inspector:					
Salaries and Wages	22,200.00	22,200.00	20,652.50	1,547.50	
Fire Sub-Code Inspector:					
Salaries and Wages	23,200.00	23,200.00	21,564.12	1,635.88	
<u>INSURANCE</u>					
Group Insurance for Employees	1,073,660.00	1,073,660.00	947,207.05	126,452.95	
Workers Compensation	115,000.00	115,000.00	113,655.00	1,345.00	
Other Insurance Premiums	148,500.00	148,500.00	147,667.79	832.21	
<u>RECREATION AND EDUCATION:</u>					
Free Public Library:					
Salaries and Wages	10,000.00	10,000.00	10,000.00		
Other Expenses	30,000.00	30,000.00	24,430.71	5,569.29	
<u>UNCLASSIFIED</u>					
Electricity	142,000.00	142,000.00	122,055.11	19,944.89	
Telephone	63,000.00	63,000.00	54,035.98	8,964.02	
Water	12,500.00	12,500.00	12,499.41	0.59	
Natural Gas	45,000.00	45,000.00	31,698.62	13,301.38	
Fire Hydrant Service	222,000.00	222,000.00	202,362.41	19,637.59	
Gasoline	100,000.00	100,000.00	99,954.32	45.68	
Street Lighting	59,000.00	59,000.00	54,822.10	4,177.90	
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	<u>\$ 7,621,206.00</u>	<u>\$ 7,621,206.00</u>	<u>\$ 7,100,430.61</u>	<u>\$ 520,776.39</u>	
Detail:					
Salaries and Wages	\$ 4,616,643.00	\$ 4,616,643.00	\$ 4,494,164.71	\$ 122,478.29	
Other Expenses	3,004,563.00	3,004,563.00	2,606,265.90	398,297.10	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	\$ 210,000.00	\$ 210,000.00	\$ 183,715.41	\$ 26,284.59	
Contribution to:					
Police & Firemen's Retirement Fund	143,088.75	143,088.75	143,088.75		
Public Employee's Retirement System	563,040.00	563,040.00	563,040.00		
<u>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>	<u>\$ 916,128.75</u>	<u>\$ 916,128.75</u>	<u>\$ 889,844.16</u>	<u>\$ 26,284.59</u>	
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</u>	<u>\$ 8,537,334.75</u>	<u>\$ 8,537,334.75</u>	<u>\$ 7,990,274.77</u>	<u>\$ 547,059.98</u>	

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2010

	APPROPRIATIONS		EXPENDED		UNEXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	BALANCE CANCELED
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Municipal Alliance Contribution - Match	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$	
Group Insurance For Employees	144,340.00	144,340.00	144,340.00		
Contribution to:					
Police & Firemen's Retirement Fund	12,315.25	12,315.25	12,315.25		
Public Employee's Retirement System	77,254.00	77,254.00	77,254.00		
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>					
Sewer Interlocal Agreements:					
Other Expenses	513,000.00	513,000.00	513,000.00		
Somerset County Interlocal Agreements:					
Recycling	43,000.00	43,000.00	39,584.87	3,415.13	
Board of Health:					
Other Expenses	82,090.00	82,090.00	80,762.32	1,327.68	
<u>PUBLIC AND PRIVATE PROGRAMS</u>					
<u>OFF-SET BY REVENUES</u>					
Safe & Secure Communities Program:					
State Share	60,000.00	60,000.00	60,000.00		
Local Share	80,000.00	80,000.00	80,000.00		
Clean Communities Program	12,007.02	12,007.02	12,007.02		
Alcohol Education Rehab Fund	1,357.37	1,357.37	1,357.37		
N.J. Body Armor Replacement Fund	1,232.54	1,232.54	1,232.54		
<u>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</u>	<u>\$ 1,028,096.18</u>	<u>\$ 1,028,096.18</u>	<u>\$ 1,023,353.37</u>	<u>\$ 4,742.81</u>	
<u>DETAIL OPERATIONS-EXCLUDED</u>					
<u>FROM "CAPS"</u>					
Other Expenses	<u>\$ 1,028,096.18</u>	<u>\$ 1,028,096.18</u>	<u>\$ 1,023,353.37</u>	<u>\$ 4,742.81</u>	
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>					
Payment of Bond Principal	\$ 1,189,000.00	\$ 1,189,000.00	\$ 1,189,000.00	\$	\$
Payment of BAN	100,000.00	100,000.00	100,000.00		
Interest on Bonds	751,500.00	751,500.00	751,387.76		112.24
Interest on Notes	78,000.00	78,000.00	77,899.99		100.01
Green Trust Loan	30,456.00	30,456.00	30,456.00		
Economic Recovery Loan	12,656.00	12,656.00	8,404.69		4,251.31
NJ UST Remediation Loan	51,500.00	51,500.00	50,888.30		611.70
NJEIT Loan	98,000.00	98,000.00	98,000.00		
<u>TOTAL MUNICIPAL DEBT SERVICE-</u>					
<u>EXCLUDED FROM "CAPS"</u>	<u>\$ 2,311,112.00</u>	<u>\$ 2,311,112.00</u>	<u>\$ 2,306,036.74</u>	<u>\$</u>	<u>\$ 5,075.26</u>
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL</u>					
<u>PURPOSES EXCLUDED FROM "CAPS"</u>					
	<u>\$ 3,339,208.18</u>	<u>\$ 3,339,208.18</u>	<u>\$ 3,329,390.11</u>	<u>\$ 4,742.81</u>	<u>\$ 5,075.26</u>
<u>SUB-TOTAL GENERAL APPROPRIATIONS</u>	<u>\$ 11,876,542.93</u>	<u>\$ 11,876,542.93</u>	<u>\$ 11,319,664.88</u>	<u>\$ 551,802.79</u>	<u>\$ 5,075.26</u>
<u>RESERVE FOR UNCOLLECTED TAXES</u>	<u>435,000.00</u>	<u>435,000.00</u>	<u>435,000.00</u>		
<u>TOTAL GENERAL APPROPRIATIONS</u>	<u>\$ 12,311,542.93</u>	<u>\$ 12,311,542.93</u>	<u>\$ 11,754,664.88</u>	<u>\$ 551,802.79</u>	<u>\$ 5,075.26</u>
REF.	A-2:A-3	A-2:A-3	A-1	A:A-1	
Reserve for Uncollected Taxes	A-2		\$ 435,000.00		
Accounts Payable	A-7		82,774.35		
Reserve for Grants Appropriated	A-22		74,596.93		
Disbursements	A-4		11,498,287.39		
			\$ 12,090,658.67		
Less: Refunds	A-4		335,993.79		
			\$ 11,754,664.88		

TRUST FUND

"B"

BOROUGH OF WATCHUNG

TRUST FUND

BALANCE SHEETS - STATUTORY BASIS

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2010</u>	<u>BALANCE DECEMBER 31, 2009</u>
Assessment Fund:			
Cash	B-2: B-8	\$ 174,709.67	\$ 54,607.65
Assessment Receivable	B-3	1,475,859.88	1,776,943.08
Prospective Assessments Funded	B-5	50,931.02	50,931.02
Due Current Fund	B-4	372,704.19	221,685.46
Amount To Be Raised By Taxation:			
Cancelled Assessments	B-6	3,990.00	3,990.00
		<u>\$ 2,078,194.76</u>	<u>\$ 2,108,157.21</u>
Animal Control Fund:			
Cash	B-2	\$ 1,501.64	\$ 2,327.81
		<u>\$ 1,501.64</u>	<u>\$ 2,327.81</u>
Other Funds:			
Cash	B-2	\$ 3,564,850.33	\$ 4,227,412.37
Due Current Fund	B-18	3,922.87	4,038.88
		<u>\$ 3,568,773.20</u>	<u>\$ 4,231,451.25</u>
		<u>\$ 5,648,469.60</u>	<u>\$ 6,341,936.27</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Assessment Loans:			
2000 Trust Loan	B-24	\$ 295,000.00	\$ 320,000.00
2000 Fund Loan	B-25	123,481.86	148,844.31
Reserve for Assessments	B-16	18,613.76	
Due General Capital Fund	B-17	1,546,708.24	1,546,708.24
Fund Balance	B-1	94,390.90	92,604.66
		<u>\$ 2,078,194.76</u>	<u>\$ 2,108,157.21</u>
Animal Control Fund:			
Reserve For Animal Control Fund Expenditures	B-14	\$ 1,487.95	\$ 2,314.76
Due Current Fund	B-7	13.69	13.05
		<u>\$ 1,501.64</u>	<u>\$ 2,327.81</u>
Other Funds:			
Reserve For:			
Various Trust Deposits	B-13	\$ 760,996.58	\$ 747,603.20
COAH Deposits	B-12	531,647.21	525,164.65
Police Outside Overtime	B-15	19,778.40	46,709.71
Open Space Trust Deposits	B-10	1,262,824.82	1,758,477.88
State Unemployment Compensation Insurance	B-11	132,855.26	156,684.24
Recreation Deposits	B-19	35,387.85	45,089.92
Law Enforcement Trust Fund	B-20	3,991.21	2,540.76
Developers Deposits	B-21	810,388.10	943,792.68
Payroll Deductions	B-26	1,188.77	(1,981.07)
Accounts Payable	B-9	9,715.00	7,369.28
		<u>\$ 3,568,773.20</u>	<u>\$ 4,231,451.25</u>
		<u>\$ 5,648,469.60</u>	<u>\$ 6,341,936.27</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - STATUTORY BASIS

	<u>REF.</u>		
Balance, December 31, 2009	B	\$	92,604.66
Increased by:			
Assessment Collections	B-16		<u>1,786.24</u>
Balance, December 31, 2010	B	\$	<u><u>94,390.90</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

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GENERAL CAPITAL FUND

"C"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2010</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2009</u>
<u>ASSETS</u>			
Cash	C-2;C-3	\$ 666,396.38	\$ 1,389,643.01
Deferred Charges to Future Taxation:			
Funded	C-4	18,173,711.06	19,495,418.93
Unfunded	C-5	7,076,028.85	7,245,275.76
State Aid Receivable	C-16	562,500.00	562,500.00
Due Current Fund	C-19	106,250.00	
Due Assessment Trust Fund	C-9	1,546,708.24	1,546,708.24
		<u>\$ 28,131,594.53</u>	<u>\$ 30,239,545.94</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-17	\$ 4,500,000.00	\$ 3,895,000.00
General Serial Bonds Payable	C-11	16,525,000.00	17,714,000.00
Contracts Payable	C-7	607,322.28	1,042,701.34
Capital Improvement Fund	C-8	89,647.72	89,647.72
Reserve for Grant Receivable	C-18	200,000.00	200,000.00
Reserve for Debt Service	C-6	43,786.22	21,911.22
State of New Jersey Loan Payable:			
Environmental Infrastructure Trust Loans	C-12	440,000.00	470,000.00
Environmental Infrastructure Fund Loans	C-13	243,553.61	276,681.68
Economic Development Authority	C-14	35,818.81	47,758.43
Green Trust Loan Program	C-15	929,338.64	986,978.82
Improvement Authorizations:			
Funded	C-10	2,397,762.90	3,051,325.91
Unfunded	C-10	1,578,627.41	2,172,227.42
Fund Balance	C-1	540,736.94	271,313.40
		<u>\$ 28,131,594.53</u>	<u>\$ 30,239,545.94</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - STATUTORY BASIS

	<u>REF.</u>		
Balance, December 31, 2009	C	\$	271,313.40
Increased by:			
Receipts on Fully Funded Authorizations	C-2	\$	3,363.94
Canceled Authorizations	C-10		<u>566,059.60</u>
			569,423.54
		\$	<u>840,736.94</u>
Decreased by:			
Surplus Anticipated-Current Fund	C-2		<u>300,000.00</u>
Balance, December 31, 2010	C	\$	<u><u>540,736.94</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

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PUBLIC ASSISTANCE TRUST FUND

"E"

BOROUGH OF WATCHUNG
PUBLIC ASSISTANCE TRUST FUND
BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2010</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2009</u>
<u>ASSETS</u>			
Cash-Treasurer:			
Public Assistance Trust Fund I	E-1	\$ 5,741.05	\$ 5,740.88
Public Assistance Trust Fund II	E-1	<u>5,690.78</u>	<u>1,626.78</u>
		<u>\$ 11,431.83</u>	<u>\$ 7,367.66</u>
<u>LIABILITIES AND RESERVES</u>			
Reserve for Public Assistance:			
Public Assistance Trust Fund I	E-2	\$ 5,741.05	\$ 5,740.88
Public Assistance Trust Fund II	E-2	<u>5,690.78</u>	<u>1,626.78</u>
		<u>\$ 11,431.83</u>	<u>\$ 7,367.66</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF WATCHUNG
STATEMENT OF GENERAL FIXED ASSETS
BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER 31, 2010	BALANCE DECEMBER 31, 2009
<u>FIXED ASSETS:</u>		
Land	\$ 13,189,000.00	\$ 13,189,000.00
Buildings	6,054,980.00	6,054,980.00
Machinery and Equipment	<u>5,034,327.82</u>	<u>4,934,873.15</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 24,278,307.82</u>	<u>\$ 24,178,853.15</u>
 <u>RESERVE:</u>		
Investments in General Fixed Assets	<u>\$ 24,278,307.82</u>	<u>\$ 24,178,853.15</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF WATCHUNG

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Watchung is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

Except as noted below, the financial statements of the Borough of Watchung include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Watchung, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Watchung do not include the operations of the regional and local boards of education, inasmuch as their activities are administered by separate boards.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Borough of Watchung conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Watchung are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services the Borough accounts for its financial transactions through the following individual funds and account groups:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Current Fund - resources and expenditures for governmental operations of a general nature, including grant funds.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - receipts and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Public Assistance Fund - receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes.

General Fixed Assets Account Group - Utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Federal and State grants are realized as revenue when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amount that are due the Borough, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. General expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Borough's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as revenue in a future budget. GAAP requires such proceeds to be recorded as revenue in the year of sale.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$500.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage system are not capitalized. No depreciation has been provided on general fixed assets or reported in the financial statements. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund.

The Borough has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm and updated by the Borough. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Land is stated at the assessed value contained in the Borough's most recent property revaluation.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Borough considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund, certificates of deposit, and short-term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

The Borough of Watchung had the following cash and cash equivalents at December 31, 2010:

<u>Fund</u>	<u>Cash in Bank</u>	<u>N.J. ARM</u>	<u>Total</u>
Current Fund	\$3,185,435.84	\$12.76	\$3,185,448.60
Grant Fund	195,728.64		195,728.64
Assessment Trust Fund	174,709.67		174,709.67
Animal Control Trust Fund	1,501.64		1,501.64
Other Trust Fund	3,564,758.71	91.62	3,564,850.33
General Capital Fund	666,396.38		666,396.38
Public Assistance Trust Fund	11,431.83		11,431.83
Total - December 31, 2010	<u>\$7,799,962.71</u>	<u>\$104.38</u>	<u>\$7,800,067.09</u>

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits (Continued)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2010, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash balance in the bank, \$759,633.36 was covered by Federal Depository Insurance and \$7,040,329.35 was covered by NJGUDPA. N.J. ARM is an investment pool and is not insured by either FDIC or GUDPA.

Investments

The purchase of investments by the Borough is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2010, the Borough had \$104.38 on deposit with the New Jersey A.R.M. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of the bonds. In addition, the Borough has entered into loan agreements with the State of New Jersey. The monies received from these loans are used to finance various improvements to the Borough.

SUMMARY OF MUNICIPAL DEBT

	<u>Year 2010</u>	<u>Year 2009</u>	<u>Year 2008</u>
Issued:			
General:			
Bonds and Notes	\$ 21,025,000.00	\$ 21,609,000.00	\$ 22,904,000.00
Assessment Bonds			135,000.00
Loans Payable	<u>2,067,192.92</u>	<u>2,250,263.24</u>	<u>1,657,334.28</u>
Debt Issued	\$ 23,092,192.92	\$ 23,859,263.24	\$ 24,696,334.28
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>2,576,028.85</u>	<u>4,002,849.76</u>	<u>3,967,147.03</u>
TOTAL BONDS AND NOTES ISSUED AND AUTHORIZED BUT NOT ISSUED	<u>\$ 25,668,221.77</u>	<u>\$ 27,862,113.00</u>	<u>\$ 28,663,481.31</u>

SUMMARY OF STATUTORY DEBT CONDITION ANNUAL DEBT STATEMENT (AS AMENDED)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.42%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$ 17,317,968.04	\$ 17,317,968.04	\$
General Debt	<u>25,668,221.77</u>	<u>43,786.22</u>	<u>25,624,435.55</u>
	<u>\$ 42,986,189.81</u>	<u>\$ 17,361,754.26</u>	<u>\$ 25,624,435.55</u>

Net debt \$25,668,221.77 divided by equalized valuation basis per N.J.S.A.40A:2-2, \$1,810,213,482.33 equals 1.42%.

Borrowing Power Under NJSA 40A:2-6 As Amended

Equalized Valuation Basis - December 31, 2010	<u>\$ 1,810,213,482.33</u>
3 1/2% of Equalized Valuation Basis	\$ 63,357,471.88
Net Debt	<u>25,624,435.55</u>
Remaining Borrowing Power	<u>\$ 37,733,036.33</u>

Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements and the assessed valuation of Class II railroad property of the Borough of Watchung for the last three (3) preceding years.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG-TERM DEBT

General Serial Bonds:

\$1,724,000.00 General Obligation Bonds of 1995 due in annual installments of \$114,000.00 to \$115,000.00 through January 2010 at an interest rate of 5.75%.	
\$9,500,000.00 General Obligation Bonds of 1999, \$8,141,000.00 of which is for Capital purposes, due in annual installments of \$400,000.00 to \$600,000.00 through May 2014 at an interest rate of 4.00% to 4.40%.	\$2,341,000.00
\$15,609,000.00 General Obligation Bonds of 2007 due in annual installments of \$475,000.00 to \$950,000.00 through August 2027 at an interest rate of 4.00% to 4.375%.	14,184,000.00
	<u>\$16,525,000.00</u>

Economic Development Loan:

\$267,330.00 Public Works Facility Loan due in annual installments of \$11,939.57 to \$34,086.13 through August 2013 at an interest rate of 1.50%.	\$35,818.81
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Green Trust Loans:

\$750,000.00 Dam Restoration Loan due in semi-annual installments of \$18,002.76 to \$25,250.26 through March 2028 at an interest rate of 2.00%	\$718,204.42
\$500,000.00 Watchung Lake Development Loan due in annual installments of \$10,227.80 to \$15,077.03 through March 2018 at an interest rate of 2.00%.	211,134.22
	<u>\$929,338.64</u>

New Jersey Environmental Infrastructure Loans:

\$915,000.00 Infrastructure Trust Loan of 2000 due in annual installments of \$30,000.00 to \$75,000.00 through August 2020 at an interest rate of 5.00% to 5.25%.	\$585,000.00
\$872,646.00 Infrastructure Fund Loan of 2000 due in annual installments of \$10,811.19 to \$45,804.39 through August 2016 at an interest rate of 0.00%.	243,381.66
\$230,000.00 Infrastructure Trust Loan of 2001 due in annual installments of \$10,000.00 to \$15,000.00 through February 2021 at an interest rate of 4.00% 5.00%.	150,000.00
\$226,237.00 Infrastructure Fund Loan of 2001 due in annual installments of \$10,026.15 to \$13,495.28 through February 2021 at an interest rate of 0.00%.	123,653.81
	<u>\$1,102,035.47</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BOND ANTICIPATION NOTE

	<u>Interest Rate</u>	<u>Issue & Maturity Dates</u>	<u>Amount</u>
General Capital	1.00%	2/23/10 - 3/1/11	\$4,500,000.00

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2010 the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$2,576,028.85</u>
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Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

<u>Calendar Year</u>		<u>General</u>			
		<u>Principal</u>		<u>Interest</u>	<u>Total</u>
2011	\$	1,075,000.00	\$	703,010.25	\$ 1,778,010.25
2012		1,075,000.00		656,647.75	1,731,647.75
2013		1,100,000.00		610,135.25	1,710,135.25
2014		1,076,000.00		563,783.25	1,639,783.25
2015		900,000.00		529,143.75	1,429,143.75
2016		900,000.00		490,893.75	1,390,893.75
2017		900,000.00		452,643.75	1,352,643.75
2018		950,000.00		414,393.75	1,364,393.75
2019		950,000.00		374,018.75	1,324,018.75
2020		950,000.00		332,456.25	1,282,456.25
2021		950,000.00		290,893.75	1,240,893.75
2022		950,000.00		249,331.25	1,199,331.25
2023		950,000.00		207,768.75	1,157,768.75
2024		950,000.00		166,206.25	1,116,206.25
2025		950,000.00		124,643.75	1,074,643.75
2026		950,000.00		83,081.25	1,033,081.25
2027		949,000.00		41,518.75	990,518.75
	\$	<u>16,525,000.00</u>	\$	<u>6,290,570.25</u>	<u>\$ 22,815,570.25</u>

Schedule of Annual Debt Service for Principal and Interest for Economic Development Authority

Loan Payable - New Public Works Facility

<u>Calendar Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2011	\$	11,939.62	\$	537.28	\$	12,476.90
2012		11,939.62		358.18		12,297.80
2013		11,939.57		179.10		12,118.67
	\$	<u>35,818.81</u>	\$	<u>1,074.56</u>	\$	<u>36,893.37</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Schedule of Annual Debt Service for Principal and Interest for New Jersey Green Trust Loans
Payable - Watchung Lake Development & Dam Restoration

<u>Calendar Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2011	\$	44,374.29	\$	14,740.00	\$	59,114.29
2012		45,026.23		13,908.97		58,935.20
2013		45,691.21		13,064.84		58,756.05
2014		34,430.06		12,207.33		46,637.39
2015		35,122.10		11,515.29		46,637.39
2016		35,828.05		10,809.33		46,637.38
2017		36,548.20		10,089.19		46,637.39
2018		37,282.82		9,354.57		46,637.39
2019		38,032.20		8,605.19		46,637.39
2020		38,796.65		7,840.74		46,637.39
2021		39,576.46		7,060.93		46,637.39
2022		40,371.95		6,265.44		46,637.39
2023		41,183.43		5,453.97		46,637.40
2024		42,011.21		4,626.18		46,637.39
2025		42,855.63		3,781.75		46,637.38
2026		43,717.04		2,920.36		46,637.40
2027		44,595.75		2,041.65		46,637.40
2028		45,492.13		1,145.27		46,637.40
2029		23,087.82		230.88		23,318.70
	\$	<u>754,023.23</u>	\$	<u>145,661.88</u>	\$	<u>899,685.11</u>

Schedule of Annual Debt Service for Principal and Interest for Environmental
Infrastructure Loan Payable - 2000 Infrastructure Trust Loan

<u>Calendar</u> <u>Year</u>	<u>General Capital Fund</u>		<u>Assessment Trust Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 20,000.00	\$ 14,918.76	\$ 25,000.00	\$ 15,150.00	\$ 75,068.76
2012	25,000.00	13,918.76	25,000.00	13,900.00	77,818.76
2013	25,000.00	12,668.76	25,000.00	12,650.00	75,318.76
2014	25,000.00	11,418.76	30,000.00	11,400.00	77,818.76
2015	25,000.00	10,168.76	30,000.00	9,900.00	75,068.76
2016	30,000.00	8,887.50	30,000.00	8,362.50	77,250.00
2017	30,000.00	7,350.00	30,000.00	6,825.00	74,175.00
2018	35,000.00	5,775.00	30,000.00	5,250.00	76,025.00
2019	35,000.00	3,937.50	35,000.00	3,675.00	77,612.50
2020	40,000.00	2,100.00	35,000.00	1,837.50	78,937.50
	<u>\$ 290,000.00</u>	<u>\$ 91,143.80</u>	<u>\$ 295,000.00</u>	<u>\$ 88,950.00</u>	<u>\$ 765,093.80</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Schedule of Annual Debt Service for Principal for Environmental
Infrastructure Loan Payable - 2000 Infrastructure Fund Loan

	General Capital		Assessment Trust		
	Fund		Fund		
<u>Calendar Year</u>		<u>Principal</u>		<u>Principal</u>	<u>Total</u>
2011	\$	21,221.22	\$	24,596.67	\$ 45,817.89
2012		23,652.16		23,830.89	47,483.05
2013		22,892.49		23,065.11	45,957.60
2014		22,132.82		25,362.44	47,495.26
2015		21,373.16		24,443.51	45,816.67
2016		8,627.95		2,183.24	10,811.19
	\$	<u>119,899.80</u>	\$	<u>123,481.86</u>	<u>\$ 243,381.66</u>

Schedule of Annual Debt Service for Principal and Interest for Environmental
Infrastructure Loan Payable - 2001 Infrastructure Trust Loan

<u>Calendar Year</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2011	\$ 10,000.00	\$	7,250.00	\$	17,250.00
2012	10,000.00		6,750.00		16,750.00
2013	10,000.00		6,250.00		16,250.00
2014	15,000.00		5,625.00		20,625.00
2015	15,000.00		4,875.00		19,875.00
2016	15,000.00		4,125.00		19,125.00
2017	15,000.00		3,375.00		18,375.00
2018	15,000.00		2,625.00		17,625.00
2019	15,000.00		1,875.00		16,875.00
2020	15,000.00		1,125.00		16,125.00
2021	15,000.00		375.00		15,375.00
	<u>\$ 150,000.00</u>	<u>\$</u>	<u>44,250.00</u>	<u>\$</u>	<u>194,250.00</u>

Schedule of Annual Debt Service for Principal for Environmental
Infrastructure Loan Payable - 2001 Infrastructure Fund Loan

<u>Calendar Year</u>	<u>Principal</u>	<u>Total</u>
2011	\$ 10,980.82	\$ 10,980.82
2012	10,662.54	10,662.54
2013	10,344.26	10,344.26
2014	13,129.25	13,129.25
2015	12,651.82	12,651.82
2016	12,174.39	12,174.39
2017	11,696.96	11,696.96
2018	11,219.54	11,219.54
2019	10,742.11	10,742.11
2020	10,264.68	10,264.68
2021	9,787.44	9,787.44
	<u>\$ 123,653.81</u>	<u>\$ 123,653.81</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balance at December 31, 2010 which was appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2011 was \$730,000.00.

NOTE 5: PROPERTY TAXES

Property Taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also the taxes for the County and the Local and Regional High School Districts. The collections and remittance of county and school taxes are accounted for in the current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

Taxes Collected in Advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

		Balance <u>December 31, 2010</u>		Balance <u>December 31, 2009</u>
Prepaid Taxes	\$	<u>166,035.66</u>	\$	<u>204,965.22</u>

NOTE 6: PENSION PLANS

Borough employees, who are eligible for a pension plan, are enrolled in one of two pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The plans are: the Public Employees' Retirement System and the Police and Firemen's Retirement System. The Division annually charges participating government units for their respective contributions to the plans based upon actuarial methods. Certain portions of the costs are contributed by the employees. The Borough's share of pension, which is based upon the annual billings received from the state, amounted to \$795,698 for 2010, \$682,116.00 for 2009 and \$364,553.40 for 2008.

Borough employees are also covered by the Federal Insurance Contribution Act.

Information as to the comparison of the actuarially computed value of vested benefit with the system's assets is not available from the State Retirement System and, therefore, is not presented.

NOTE 7: COMPENSATED ABSENCES

The Borough has not permitted non-police department employees to carry over unused vacation days. Under special circumstances, vacation time may be carried over with mayor and Council approval. After a minimum of five years of service with the Borough, an employee, upon separation from service with the Borough, will receive pay based upon unused accumulated sick leave, up to a maximum of 120 days of such credit. Payment shall be made in accordance with the following schedule:

Upon retirement: 50% of the employee's then current rate of pay

Other separation: 25% of the employee's then current rate of pay

Police Department employees may not carry over vacation unless approved by the Mayor and Council. Sick days may be accumulated up to 360 days per employee with a maximum of 60 days to be reimbursed to the employee at retirement.

The Borough has estimated the liability for unpaid sick pay to be \$559,925.52 and \$535,554.47 at December 31, 2010 and 2009, respectively. In accordance with New Jersey accounting principles and practices these amounts are not reported as an expenditure or liability in the accompanying financial statements.

NOTE 8: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees, permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

All assets of the Plan are held by an independent administrator, the Equitable Life Assurance Society of the United States (the "Equitable").

The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities. The Borough's Deferred Compensation Plan is fully contributory and the Borough has no liabilities in conjunction with the plan.

NOTE 9: LITIGATION

The Borough Attorney's letters did not indicate any litigation, claims or contingent liabilities which would materially affect the financial statements of the Borough.

NOTE 10: TAX APPEALS

There are tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for 2010. Any reduction in assessed valuation will result in a refund of prior years taxes in the year of settlement, which may be funded from current tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.40A:2-51. The Borough has a reserve balance in the amount of \$85,276.96 for these appeals in the event that the tax reductions are granted.

NOTE 11: CONTINGENT LIABILITIES

The Borough participated in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II, Report Section of the 2010 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2010, the Borough does not believe that any material liabilities will result from such audits.

NOTE 12: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance - The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. Below is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Borough's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Interest</u> <u>on Deposits</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2010	\$ 593.91	\$ 6,155.44	\$ 30,578.33	\$ 132,855.26
2009	1,026.32	6,489.58	2,149.32	156,684.24
2008	3,070.38	5,951.94	650.75	151,317.66

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consisted of the following at December 31, 2010:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 13.69	\$ 482,877.06
Assessment Trust Fund	372,704.19	1,546,708.24
Animal Control Trust Fund		13.69
Trust Other Fund	3,922.87	
General Capital Fund	<u>1,652,958.24</u>	<u> </u>
	<u>\$ 2,029,598.99</u>	<u>\$ 2,029,598.99</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made.

NOTE 14: GASB 45: OTHER POST-EMPLOYMENT BENEFITS

Commencing with the fiscal year ending December 31, 2010 the Borough is required to implement the note disclosure provision of GASB Statement 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension." This statement which was adopted during 2004 by the Governmental Accounting Standard Board (GASB) requires the Borough to disclose in the notes of the financial statements the future cost of the other post employment benefits (OPEB) on a present value basis instead of the present pay as you go method. OPEB obligations are non-pension benefits that the Borough has contractually agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription or dental insurance coverage. The Borough has not calculated its OPEB obligations and the impact on the Borough's financial position or results of operation cannot be readily determined at this time; however, under current New Jersey budget and financial reporting requirements, the Borough will not have to provide any amounts in excess of their current cash costs or recognized any long-term obligations on their balance sheets.

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BOROUGH OF WATCHUNG
SUPPLEMENTARY SCHEDULES – ALL FUNDS
YEAR ENDED DECEMBER 31, 2010

BOROUGH OF WATCHUNGCURRENT FUNDSCHEDULE OF CASH - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>GRANT FUND</u>
Balance, December 31, 2009	A	\$ 3,353,870.25	\$ 259,876.72
Increased by Receipts:			
Taxes Receivable	A-8	\$ 30,130,277.91	\$
Tax Overpayments	A-18	20,360.96	
Prepaid Taxes	A-19	166,035.66	
Miscellaneous Revenue Not Anticipated	A-2	140,416.65	
Revenue Accounts Receivable	A-9	3,474,356.20	
Petty Cash Funds	A-5	400.00	
State of New Jersey-Senior Citizens and Veterans	A-14	48,000.00	
Appropriation Refunds	A-3	335,993.79	
Interfunds Returned	A-25	872,151.11	
Prepaid Licenses	A-21	935.00	
Grants Receivable	A-10		72,965.93
Grants - Appropriated	A-22		80,000.00
Grants - Unappropriated	A-12		14,657.21
Due To State of New Jersey - Burial Permits	A-23		
Due State of New Jersey - DCA	A-20	14,936.00	
		<u>35,203,863.28</u>	<u>167,623.14</u>
		\$ 38,557,733.53	\$ 427,499.86
Decreased by Disbursements:			
Appropriations	A-3	\$ 11,498,287.39	\$
Appropriation Reserves	A-11	269,640.46	
Local District School Tax	A-16	11,436,568.50	
County Taxes	A-15	6,079,469.26	
Regional High School Tax	A-17	5,434,012.00	
Refund of Tax Overpayments	A-18	25,365.29	
Due State of New Jersey - DCA	A-20	13,533.00	
Petty Cash Funds	A-5	400.00	
Due To State of New Jersey - Burial Permits	A-23	10.00	
Grants Appropriated	A-22		231,771.22
Interfunds Advanced	A-25	614,999.03	
		<u>35,372,284.93</u>	<u>231,771.22</u>
Balance, December 31, 2010	A	\$ <u>3,185,448.60</u>	\$ <u>195,728.64</u>

"A-5"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF PETTY CASH FUNDS

	<u>ADVANCED</u>	<u>REIMBURSED</u>
Police	\$ 300.00	\$ 300.00
Clerk	100.00	100.00
	<u>400.00</u>	<u>400.00</u>
<u>REF.</u>	A-4	A-4

"A-6"

SCHEDULE OF CHANGE FUNDS

	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2009 AND 2010</u>
Tax Collector	\$ 100.00
Municipal Court	100.00
Clerk	50.00
	<u>250.00</u>
<u>REF.</u>	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF ACCOUNTS PAYABLE

	<u>REF.</u>		
Balance, December 31, 2009	A		\$ 230,630.52
Increased by:			
2010 Appropriations	A-3	\$ 82,774.35	
2009 Appropriation Reserves	A-11	<u>10,575.00</u>	
			93,349.35
			<u>\$ 323,979.87</u>
Decreased by:			
Canceled	A-1	\$ 27,949.54	
Transfer to 2009 Appropriation Reserves	A-11	<u>171,670.98</u>	
			<u>199,620.52</u>
Balance, December 31, 2010	A		<u><u>\$ 124,359.35</u></u>

"A-8"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

<u>YEAR</u>	<u>BALANCE DECEMBER 31, 2009</u>	<u>COLLECTIONS</u>		<u>TRANSFERRED TO TAX TITLE LIENS</u>	<u>CANCELED</u>	<u>BALANCE DECEMBER 31, 2010</u>
		<u>2009</u>	<u>2010</u>			
2009	\$ 399,312.03	\$	\$ 393,793.09	\$ 130.46	\$ 5,388.48	\$
2010			29,784,984.82	393.81	30,083.59	470,887.19
		204,965.22				
	\$ 399,312.03	\$ 204,965.22	\$ 30,178,777.91	\$ 524.27	\$ 35,472.07	\$ 470,887.19
<u>REF.</u>	A	A-2-A-19	A-2	A-24		A

REF.

Collector
Due From State of New Jersey Per Chapter 20, P.L. 1971

A-4	\$ 30,130,277.91
A-14	48,500.00
	<u>\$ 30,178,777.91</u>

ANALYSIS OF 2010 PROPERTY TAX LEVY

<u>TAX YIELD</u>		
General Purpose Tax	\$ 30,365,143.02	
Added Taxes (54:4-63.1 et. seq.)	<u>126,171.61</u>	\$ 30,491,314.63
<u>TAX LEVY</u>		
Local District School Tax (Abstract)		
Regional High School Tax (Abstract)	\$ 11,436,568.50	
County Taxes:	5,555,582.30	
County Tax		
County Library Tax		
County Open Space Preservation Tax		
County Added	6,079,469.26	
Local Tax for Municipal Purposes (Abstract)		
Add: Additional Tax Levied		
Local Tax for Municipal Purposes Levied	<u>7,419,694.57</u>	\$ 30,491,314.63

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2009</u>	<u>ACCRUED</u> <u>IN 2010</u>	<u>COLLECTED BY</u> <u>TREASURER</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2010</u>
Clerk:					
Alcoholic Beverage Licenses	A-2	\$	\$ 13,000.60	\$ 13,000.60	\$
Other Licenses	A-2		4,330.00	4,330.00	
Fees and Permits	A-2		1,340.00	1,340.00	
Uniform Construction Code Official	A-2		197,643.00	197,643.00	
Recreation: Fees and Permits	A-2		160.00	160.00	
Planning Board: Fees and Permits	A-2		1,640.00	1,640.00	
Registrar of Vital Statistics:					
Other Licenses	A-2		75.00	75.00	
Fees and Permits	A-2		21,970.00	21,970.00	
Board of Health:					
Other Licenses	A-2		15,802.50	15,802.50	
Fees and Permits	A-2		885.00	885.00	
Board of Adjustment: Fees and Permits	A-2		4,100.00	4,100.00	
Tower Lease: Fees and Permits	A-2		76,780.48	76,780.48	
Police: Fees and Permits	A-2		5,632.40	5,632.40	
Engineering: Fees and Permits	A-2		37,505.00	37,505.00	
Fire Official: Fees and Permits	A-2		1,708.00	1,708.00	
Municipal Court: Fines and Costs	A-2	15,971.15	248,527.44	250,409.41	14,089.18
Interest and Costs on Taxes	A-2		119,853.31	119,853.31	
Interest on Investments and Deposits	A-2		22,296.87	22,296.87	
Sewer Rents	A-2		1,141,802.40	1,141,802.40	
Consolidated Municipal Property Tax Relief Aid	A-2		42,574.00	42,574.00	
Energy Receipts Tax	A-2		657,517.95	657,517.95	
Uniform Fire Safety Act	A-2		28,770.28	28,770.28	
Bulk Pickup Fees	A-2		8,560.00	8,560.00	
Recreation Trust Surplus	A-2		20,000.00	20,000.00	
Open Space Trust Fund Debt Payment	A-2		500,000.00	500,000.00	
Capital Surplus	A-2		300,000.00	300,000.00	
		<u>\$ 15,971.15</u>	<u>\$ 3,472,474.23</u>	<u>\$ 3,474,356.20</u>	<u>\$ 14,089.18</u>
	<u>REF.</u>	A		A-4	A

"A-10"

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF GRANTS RECEIVABLE

	BALANCE DECEMBER 31, 2009	ACCRUED 2010	RECEIPTS	BALANCE DECEMBER 31, 2010
Municipal Stormwater Regulation Program	\$ 2,117.00	\$	\$	\$ 2,117.00
Clean Communities Program		12,007.02	12,007.02	
Safe & Secure	58,369.00	60,000.00	58,369.00	60,000.00
NJ Body Armor		1,232.54	1,232.54	
Alcohol Education Rehabilitation		1,357.37	1,357.37	
FEMA Firefighters Grant	3,157.00			3,157.00
	<u>\$ 63,643.00</u>	<u>\$ 74,596.93</u>	<u>\$ 72,965.93</u>	<u>\$ 65,274.00</u>
REF.	A	A-2	A-4	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2009 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2009	ACCOUNTS PAYABLE	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
<u>OPERATIONS WITHIN "CAPS"</u>					
Salaries and Wages:					
Public Buildings & Grounds	\$ 1,771.56	\$	\$ 1,771.56	\$	\$ 1,771.56
Other Expenses:					
Administrative & Executive	201.61	151.97	353.58	183.25	170.33
Mayor & Council	66,789.48	41,245.00	108,034.48	30,554.77	77,479.71
Clerk	8,116.36	421.56	8,537.92	6,815.87	1,722.05
Elections	1,261.80		1,261.80		1,261.80
Financial Administration	501.69		501.69	347.45	154.24
Assessment of Taxes	469.47	20,000.00	20,469.47	11,044.47	9,425.00
Collection of Taxes	2,661.61	1,009.77	3,671.38	1,864.95	1,806.43
Legal Services and Costs	82,687.26		82,687.26	12,128.63	70,558.63
Engineering Services and Costs	29,662.94	4,000.00	33,662.94	17,218.44	16,444.50
Public Buildings and Grounds	3,327.53	1,220.87	4,548.40	4,434.92	113.48
Planning Board	11,741.71	26.22	11,767.93	389.00	11,378.93
Board of Adjustments	2,956.36	266.98	3,223.34	1,711.28	1,512.06
Fire	21,486.11	19,145.82	40,631.93	33,813.86	6,818.07
Fire Official	2,776.40	200.00	2,976.40	175.00	2,801.40
Police	32,857.00	69,593.68	102,450.68	66,682.61	35,768.07
Emergency Management Services	3,050.00		3,050.00		3,050.00
Municipal Court	2,071.93	1,730.10	3,802.03	2,934.28	867.75
Streets & Roads	2,074.00	6,972.55	9,046.55	7,933.91	1,112.64
Public Assistance	587.00		587.00	20.33	566.67
Sewer System	586.29		586.29	294.35	291.94
Board of Recreation Commissioners	976.11	2,597.00	3,573.11	708.48	2,864.63
Traffic & Beautification	2,300.67	545.22	2,845.89	1,220.00	1,625.89
Community Service	100.00		100.00		100.00
Environmental Commission	1,134.00	360.00	1,494.00	360.00	1,134.00
Historical Preservation Committee	5,050.00		5,050.00		5,050.00
Uniform Construction Code	4,715.79	1,526.89	6,242.68	3,001.59	3,241.09
Electricity	28,030.31		28,030.31	12,804.71	15,225.60
Telephone	7,814.65		7,814.65	7,809.74	4.91
Water	1,548.43		1,548.43	886.41	662.02
Natural Gas	15,477.89		15,477.89	5,833.40	9,644.49
Fire Hydrant Service	25,410.01		25,410.01	18,553.71	6,856.30
Gasoline	40,718.67		40,718.67	7,628.23	33,090.44
Street Lighting	13,315.38		13,315.38	5,047.73	8,267.65
Free Public Library	2,666.91		2,666.91	1,641.81	1,025.10
Board of Health	298.42	90.00	388.42	90.00	298.42
Group Insurance for Employees	15,417.17		15,417.17	349.96	15,067.21
Worker's Compensation	11,857.92		11,857.92		11,857.92
Other Insurance Premiums	2,445.00	150.00	2,595.00	150.00	2,445.00
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES - WITHIN "CAPS"</u>					
Contribution To:					
Police & Firemen's Retirement System of NJ	80.00		80.00		80.00
Public Employees Retirement System	54.00		54.00		54.00
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Sewer Interlocal Agreements	10,453.01		10,453.01		10,453.01
Somerset County Interlocal Agreements - Recycling	13,111.71		13,111.71	13,111.71	
Matching Funds for Grants	10,000.00		10,000.00		10,000.00
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>					
Building & Grounds Improvements	3,671.75		3,671.75	2,053.26	1,618.49
Office Equipment		417.35	417.35	417.35	
TOTAL	\$ 494,285.91	\$ 171,670.98	\$ 665,956.89	\$ 280,215.46	\$ 385,741.43

REF.

A

A-7

A-1

Disbursements
Accounts PayableA-4
A-7

\$ 269,840.46
10,575.00
\$ 280,215.46

"A-12"

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	<u>REF.</u>	
Balance, December 31, 2009	A	\$ 15,771.93
Increased by:		
Receipts	A-4	<u>14,657.21</u>
Balance, December 31, 2010	A	\$ <u>30,429.14</u>

ANALYSIS OF BALANCE:

Recycling Tonnage	\$ 13,084.79
Body Armor	2,865.41
S.C. Youth Athletic Grant	<u>14,478.94</u>
	\$ <u>30,429.14</u>

"A-13"

CURRENT FUND

SCHEDULE OF RESERVE FOR TAX APPEALS

Balance, December 31, 2009	A	\$ 185,276.96
Decreased by:		
Canceled	A-1	<u>100,000.00</u>
Balance, December 31, 2010	A	\$ <u>85,276.96</u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE STATE OF NEW JERSEY
FOR SENIOR CITIZEN AND VETERAN DEDUCTIONS

REF.

Balance, December 31, 2009	A	\$	899.79
Increased by:			
Deductions Per Tax Billings			48,500.00
		\$	<u>49,399.79</u>
Decreased by:			
Receipts	A-4		48,000.00
			<u>48,000.00</u>
Balance, December 31, 2010	A	\$	<u><u>1,399.79</u></u>

REVENUE REALIZED:

Deductions Per Tax Billings:
Senior Citizens
Veterans

		\$	4,000.00	
			<u>44,500.00</u>	
A-8		\$		<u><u>48,500.00</u></u>

"A-15"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

	<u>REF.</u>			
2010 Tax Levy:				
County Tax	A-8	\$	4,841,988.86	
County Library Tax	A-8		665,169.77	
County Open Space Preservation Tax	A-8		546,985.91	
County Added	A-8		<u>25,324.72</u>	
	A-1			\$ 6,079,469.26
Decreased by:				
Payments	A-4			\$ <u>6,079,469.26</u>

"A-16"

SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:				
2010 Tax Levy - Calendar Year	A-1:A-8	\$	11,436,568.50	
Decreased by:				
Payments	A-4	\$	<u>11,436,568.50</u>	

"A-17"

SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:				
2010 Tax Levy - Calendar Year	A-1:A-8	\$	5,555,582.30	
Decreased by:				
Payments	A-4		<u>5,434,012.00</u>	
Balance, December 31, 2010	A	\$	<u>121,570.30</u>	

"A-18"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAX OVERPAYMENTS

	<u>REF.</u>		
Balance, December 31, 2009	A	\$	5,888.47
Increased by:			
Overpayments in 2010 - Receipts	A-4		<u>20,360.96</u>
		\$	26,249.43
Decreased by:			
Refunds	A-4	\$	25,365.29
Canceled	A-1		<u>87.91</u>
			<u>25,453.20</u>
Balance, December 31, 2010	A	\$	<u><u>796.23</u></u>

"A-19"

SCHEDULE OF PREPAID TAXES

Balance, December 31, 2009	A	\$	204,965.22
Increased by:			
Collections of 2011 Taxes	A-4		<u>166,035.66</u>
		\$	371,000.88
Decreased by:			
Applied to Taxes Receivable	A-8		<u>204,965.22</u>
Balance, December 31, 2010	A	\$	<u><u>166,035.66</u></u>

"A-20"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE TO STATE OF NEW JERSEY - DCA

	<u>REF.</u>	
Balance, December 31, 2009	A	\$ 2,374.00
Increased by:		
Receipts	A-4	14,936.00
		\$ <u>17,310.00</u>
Decreased by:		
Disbursements	A-4	<u>13,533.00</u>
Balance, December 31, 2010	A	\$ <u><u>3,777.00</u></u>

"A-21"

SCHEDULE OF PREPAID LICENSES

Increased by:		
Receipts	A-4	\$ <u>935.00</u>
Balance, December 31, 2010	A	\$ <u><u>935.00</u></u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	BALANCE DECEMBER 31, 2009	TRANSFERRED FROM 2010 BUDGET	PAID OR CHARGED	BALANCE DECEMBER 31, 2010
Safe and Secure Communities	\$ 54,250.00	\$ 60,000.00	\$ 60,000.00	\$ 54,250.00
Match	103,164.54	80,000.00	155,047.43	28,117.11
Somerset Cty Planning Incentive Grant & Match	32,274.30			32,274.30
Cross Acceptance Program	2,000.00			2,000.00
Green Communities Program & Match	3,000.00			3,000.00
Special Legislative	6,375.00			6,375.00
Body Armor Replacement Fund	2,310.94	1,232.54	715.00	2,828.48
S.C. Youth Athletic & Recreation Program	9,066.05		9,066.05	
S.C. Youth Services Program	6,522.25		6,522.25	
PARIS Grant	31,292.00			31,292.00
Alcohol Education Rehabilitation Fund	3,120.47	1,357.37	1,400.00	3,077.84
Drunk Driving Enforcement Fund	8,153.22		422.80	7,730.42
All Hazards Emergency Oper. Planning Program	591.80			591.80
Recycling Tonnage Grant	16,988.45			16,988.45
Municipal Alliance Contribution - Match	9,052.26		560.00	8,492.26
FEMA Firefighters Grant	1,699.60			1,699.60
Smart Growth Planning	5,000.00			5,000.00
Clean Communities Program	12,710.76	12,007.02	750.00	23,967.78
	<u>\$ 307,571.64</u>	<u>\$ 154,596.93</u>	<u>\$ 234,483.53</u>	<u>\$ 227,685.04</u>
	REF. A			A
Grants	A-3	\$ 74,596.93		
Matching Funds for Grants	A-4	<u>80,000.00</u>		
		<u>\$ 154,596.93</u>		
Disbursements	A-4		\$ 231,771.22	
Current Year Accounts Payable	A-26		2,888.46	
Prior Year Accounts Payable	A-26		<u>(176.15)</u>	
			<u>\$ 234,483.53</u>	

"A-23"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE TO STATE OF NEW JERSEY - BURIAL PERMITS

	<u>REF.</u>		
Balance, December 31, 2009	A	\$	10.00
Decreased by:			
Disbursements	A-4	\$	<u>10.00</u>

"A-24"

SCHEDULE OF TAX TITLE LIENS

Increased by:			
Transferred from 2010 Taxes	A-8	\$	393.81
Transferred from 2009 Taxes	A-8		130.46
Interest & Costs			<u>138.03</u>
		\$	<u>662.30</u>
Balance, December 31, 2010	A	\$	<u>662.30</u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF INTERFUNDS

REF.	TOTAL	ASSESSMENT TRUST FUND	ANIMAL CONTROL TRUST FUND	OTHER TRUST FUND	GENERAL CAPITAL FUND
Balance, December 31, 2009:					
A	\$ 13.05	\$	13.05	\$	\$
A	225,724.34	221,685.46		4,038.88	
Receipts	872,151.11	418,165.27		347,735.84	106,250.00
Disbursements	614,999.03	267,146.54	0.64	347,851.85	
Balance, December 31, 2010:					
A	\$ 13.69	\$	13.69	\$	
A	482,877.06	372,704.19		3,922.87	106,250.00

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF ACCOUNTS PAYABLE

	<u>REF.</u>	
Balance, December 31, 2009	A	\$ 176.15
Increased by:		
Grants Appropriated	A-22	<u>2,888.46</u>
		\$ 3,064.61
Decreased by:		
Transferred to Grants Appropriated	A-22	<u>176.15</u>
Balance, December 31, 2010	A	<u><u>\$ 2,888.46</u></u>

-

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF CASH-TREASURER

REF.	ASSESSMENT	ANIMAL CONTROL	OTHER
B	\$ 54,607.65	\$ 2,327.81	\$ 4,227,412.37
Balance, December 31, 2009			
Increased by Receipts:			
Assessment Receivable	\$ 321,483.20		
Due Current Fund	267,146.54		
Due State of New Jersey - Dog Licenses		0.64	
Animal Control Licenses		461.40	116.01
Reserve For Various Trust Deposits		3,896.09	
Reserve For COAH Deposits			244,266.82
Reserve For Police Outside Overtime			46,267.23
Reserve For Open Space Trust Deposits			500,956.16
Reserve For State Unemployment Insurance			3,053.91
Reserve For Recreation Deposits			6,749.35
Reserve For Law Enforcement Trust Fund			27,095.45
Reserve For Developers Deposits			1,450.45
Reserve For Payroll Deductions			85,795.25
Reserve For Redemption Of Outside Liens			5,525,098.58
	588,629.74	4,358.13	6,657,485.05
	\$ 643,237.39	\$ 6,685.94	\$ 10,884,897.42
Decreased by Disbursements:			
Due Current Fund	\$ 418,165.27		
Assessment Loans - Trust Loan	25,000.00		
Assessment Loans - Fund Loan	25,362.45		
Due State of New Jersey - Dog Licenses		461.40	
Reserve For Animal Control Expenditures		4,722.90	
Reserve For Various Trust Deposits			230,873.44
Reserve For COAH Deposits			35,569.67
Reserve For Police Outside Overtime			528,463.72
Reserve For Open Space Trust Deposits			500,000.00
Reserve For State Unemployment Insurance			30,578.33
Reserve For Recreation Deposits			36,797.52
Reserve For Developers Deposits			219,199.83
Reserve For Payroll Deductions			5,521,928.74
Reserve For Redemption Of Outside Liens			216,635.84
	468,527.72	5,184.30	7,320,047.09
Balance, December 31, 2010	\$ 174,709.67	\$ 1,501.64	\$ 3,564,850.33

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF ASSESSMENTS RECEIVABLE

ASSESSMENT TRUST FUND

ORDINANCE	IMPROVEMENT DESCRIPTION	DATE OF CONFIRMATION	ANNUAL INSTALLMENTS	DUE DATES	BALANCE DECEMBER 31, 2009	CONFIRMED	COLLECTED	BALANCE DECEMBER 31, 2010	RESERVE	BALANCE PLEDGED TO CAPITAL	LOANS
88-20 & 96-11	Construction of Sanitary Sewer - Various Roads	06/28/01	10	06/28/06-11	\$ 87,608.25	\$	\$ 19,300.84	\$ 68,307.41	\$	\$ 68,307.41	\$
97-02	Construction of Sanitary Sewer and P.W. Improv.	11/8/01	10	11/8/06-11	22,846.21		15,161.95	7,684.26		7,684.26	
99-12, 99-13, 99-14	Installation of Sanitary Sewer and Public Water	9/14/06	20	11/14/07-26	701,295.56		149,287.34	552,008.22		340,986.12	211,022.10
96-16	Brook Drive & Will Lane Roadway Improvements	6/28/07	10	7/1/07-16	6,081.52		2,796.41	3,285.11		3,285.11	
2008-2	Belgian Block Curbing - Beechwood Place	5/28/09	20	5/28/09-29		20,400.00	1,786.24	18,613.76			
06-27/06-28	Corey Lane, Orchard Road, Old Somerset Road Eaton Road, Sunbright Road and Valley Road	5/28/09	20	5/28/09-29	959,111.54		133,150.42	825,961.12		825,961.12	
					\$ 1,776,943.08	\$ 20,400.00	\$ 321,483.20	\$ 1,475,859.88	\$ 18,613.76	\$ 1,246,224.02	\$ 211,022.10

REF.

B

B-16

B-2

B

"B-4"

BOROUGH OF WATCHUNG
TRUST FUND
SCHEDULE OF DUE CURRENT FUND
ASSESSMENT TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2009 (Due From)	B	\$ 221,685.46
Increased by:		
Disbursements	B-2	418,165.27
		\$ <u>639,850.73</u>
Decreased by:		
Receipts	B-2	<u>267,146.54</u>
Balance, December 31, 2010 (Due From)	B	\$ <u><u>372,704.19</u></u>

"B-5"

SCHEDULE OF PROSPECTIVE ASSESSMENTS FUNDED
ASSESSMENT TRUST FUND

<u>ORDINANCE</u> <u>NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2009 AND 2010</u>
96-16	Improvements to Will Lane & Brook Drive	\$ <u><u>50,931.02</u></u>
	<u>REF.</u>	B

"B-6"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF AMOUNT TO BE RAISED BY TAXATION
ASSESSMENT TRUST FUND

ORDINANCE DATE	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2009 AND 2010	ANALYSIS OF BALANCE
			ASSESSMENTS CANCELLED
12/22/88	Improvement to Sewer System - Nottingham Drive	\$ 3,990.00	\$ 3,990.00
		\$ 3,990.00	\$ 3,990.00
		B	

REF.

"B-7"

SCHEDULE OF DUE CURRENT FUND
ANIMAL CONTROL TRUST FUND

Balance, December 31, 2009 (Due To)	B	\$ 13.05
Increased by: Receipts	B-2	0.64
Balance, December 31, 2010 (Due To)	B	\$ 13.69

BOROUGH OF WATCHUNG

TRUST FUND

ANALYSIS OF ASSESSMENTS CASH

FOR THE YEAR ENDED DECEMBER 31, 2010

ASSESSMENT TRUST FUND

	BALANCE DECEMBER 31, 2009	ASSESSMENTS RECEIVABLE	RECEIPTS MISCELLANEOUS	DISBURSEMENTS	BALANCE DECEMBER 31, 2010
Fund Balance	\$ 92,604.66	\$ 1,768.24	\$	\$	\$ 94,372.90
Due Current Fund	(221,685.46)		267,146.54	418,165.27	(372,704.19)
Due General Capital Fund	75,153.58	170,409.62			245,563.20
Assessment Loans	108,534.87	149,287.34		50,362.45	207,459.76
	<u>\$ 54,607.65</u>	<u>\$ 321,465.20</u>	<u>\$ 267,146.54</u>	<u>\$ 468,527.72</u>	<u>\$ 174,691.67</u>
REF.	B	B-2	B-2	B-2	B

"B-9"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ACCOUNTS PAYABLE

OTHER TRUST FUND

REF.

Balance, December 31, 2009	B		\$	7,369.28
Increased by:				
COAH	B-12			9,715.00
			\$	<u>17,084.28</u>
Decreased by:				
COAH	B-12	\$	5,500.00	
Open Space Deposits	B-10		1,293.03	
Various Trust Deposits	B-15		<u>576.25</u>	
				<u>7,369.28</u>
Balance, December 31, 2010	B		\$	<u><u>9,715.00</u></u>

"B-10"

SCHEDULE OF RESERVE FOR OPEN SPACE DEPOSITS

OTHER TRUST FUND

Balance, December 31, 2009	B		\$	1,758,477.88
Increased by:				
Interest Earned	B-2	\$	3,053.91	
Transfer from Accounts Payable	B-9		<u>1,293.03</u>	
				<u>4,346.94</u>
			\$	<u>1,762,824.82</u>
Decreased by:				
Disbursements	B-2			<u>500,000.00</u>
Balance, December 31, 2010	B		\$	<u><u>1,262,824.82</u></u>

"B-11"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR STATE UNEMPLOYMENT
COMPENSATION INSURANCE (N.J.S.43:31-3 ET.SEQ.)

OTHER TRUST FUND

REF.

Balance, December 31, 2009	B		\$	156,684.24
Increased by:				
SUI Deposits		\$	6,155.44	
SUI Interest			593.91	
	B-2			<u>6,749.35</u>
			\$	<u>163,433.59</u>
Decreased by:				
Disbursements	B-2			<u>30,578.33</u>
Balance, December 31, 2010	B		\$	<u><u>132,855.26</u></u>

"B-12"

SCHEDULE OF RESERVE FOR COAH DEPOSITS
OTHER TRUST FUND

Balance, December 31, 2009	B		\$	525,164.65
Increased by:				
Receipts	B-2	\$	46,267.23	
Transfer Prior Year Accounts Payable	B-9		5,500.00	
				<u>51,767.23</u>
			\$	<u>576,931.88</u>
Decreased by:				
Disbursements	B-2	\$	35,569.67	
Accounts Payable	B-9		9,715.00	
				<u>45,284.67</u>
Balance, December 31, 2010	B		\$	<u><u>531,647.21</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS TRUST DEPOSITS

OTHER TRUST FUND

	BALANCE DECEMBER 31, 2009	INCREASED	DECREASED	BALANCE DECEMBER 31, 2010
Donations & Gifts	\$ 31,379.63	\$ 3,779.54	\$ 3,373.94	\$ 31,785.23
Tax Premiums	77,700.00	131,100.00	80,900.00	127,900.00
POAA	907.95	16.00		923.95
Due State of NJ - Marriage Licenses	125.00	625.00	600.00	150.00
Fire Safety Penalties	34,232.36	1,800.00	604.68	35,427.68
Fire Department Penalties	8,594.92	250.00		8,844.92
Sidewalk Fund		5,985.00		5,985.00
Public Defender	27,864.22	7,321.50	11,276.04	23,909.68
Tree Fund	200.00	6,200.00		6,400.00
Ness Property Clean-Up	410,994.83	1,647.26		412,642.09
Accumulated Sick and Vacation	155,604.29	85,542.52	134,118.78	107,028.03
	<u>\$ 747,603.20</u>	<u>\$ 244,266.82</u>	<u>\$ 230,873.44</u>	<u>\$ 760,996.58</u>
REF.	B	B-2	B-2	B

A detailed analysis of Miscellaneous Trust Deposits is on file in the Treasurer's Office.

"B-14"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2009	B	\$	2,314.76
Increased by:			
Dog License Fees		\$	3,369.60
Cat License Fees			65.00
Late Fees			461.49
	B-2		<u>3,896.09</u>
		\$	<u>6,210.85</u>
Decreased by:			
Disbursements Under R.S. 4:19-15.11	B-2		<u>4,722.90</u>
Balance, December 31, 2010	B	\$	<u><u>1,487.95</u></u>

<u>LICENSE FEES COLLECTED</u>		
<u>YEAR</u>		<u>AMOUNT</u>
2009	\$	3,304.80
2008		<u>3,250.80</u>
	\$	<u><u>6,555.60</u></u>

"B-15"

SCHEDULE OF RESERVE FOR POLICE OUTSIDE OVERTIME
OTHER TRUST FUND

Balance, December 31, 2009	B	\$	46,709.71
Increased by:			
Receipts	B-2	\$	500,956.16
Prior Year Accounts Payable	B-9		<u>576.25</u>
			<u>501,532.41</u>
		\$	<u>548,242.12</u>
Decreased by:			
Disbursements	B-2		<u>528,463.72</u>
Balance, December 31, 2010	B	\$	<u><u>19,778.40</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ASSESSMENTS

	<u>REF.</u>	
Increased By:		
Assessment Receivable	B-3	\$ 20,400.00
Decreased by:		
Collections	B-1	<u>1,786.24</u>
Balance, December 31, 2010	B	\$ <u><u>18,613.76</u></u>

"B-17"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE GENERAL CAPITAL FUND - ASSESSMENT TRUST FUND

REF.

Balance, December 31, 2009 and December 31, 2010 (Due To)	B	\$ <u>1,546,708.24</u>
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"B-18"

SCHEDULE OF DUE CURRENT FUND - OTHER TRUST FUND

Balance, December 31, 2009 (Due From)	B	\$ 4,038.88
Decreased by:		
Receipts	B-2	<u>116.01</u>
Balance, December 31, 2010 (Due From)	B	\$ <u>3,922.87</u>

Analysis of Balance:

Open Space	\$ 3,638.06
Other Trust	4,304.98
Developers Escrow	<u>(4,020.17)</u>
	\$ <u>3,922.87</u>

"B-19"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR RECREATION DEPOSITS
OTHER TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2009	B	\$ 45,089.92
Increased by:		
Receipts	B-2	<u>27,095.45</u>
		\$ <u>72,185.37</u>
Decreased by:		
Disbursements	B-2	<u>36,797.52</u>
Balance, December 31, 2010	B	\$ <u><u>35,387.85</u></u>

"B-20"

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND
OTHER TRUST FUND

Balance, December 31, 2009	B	\$ 2,540.76
Increased by:		
Receipts	B-2	<u>1,450.45</u>
Balance, December 31, 2010	B	\$ <u><u>3,991.21</u></u>

"B-21"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS
OTHER TRUST FUND

REF.

Balance, December 31, 2009	B	\$	943,792.68
Increased by:			
Receipts	B-2		<u>85,795.25</u>
		\$	1,029,587.93
Decreased by:			
Disbursements	B-2		<u>219,199.83</u>
Balance, December 31, 2010	B	\$	<u><u>810,388.10</u></u>

"B-22"

SCHEDULE OF DUE STATE OF NEW JERSEY- DOG LICENSES
ANIMAL CONTROL TRUST FUND

Increased by:			
Receipts	B-2	\$	461.40
Decreased by:			
Disbursements	B-2	\$	<u><u>461.40</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR REDEMPTION OF OUTSIDE LIENS
OTHER TRUST FUND

	<u>REF.</u>		
Increased by:			
Receipts	B-2	\$	216,635.84
Decreased by:			
Disbursements	B-2	\$	<u>216,635.84</u>

"B-24"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF STATE OF NEW JERSEY TRUST LOAN PAYABLE - NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING		INTEREST RATE	BALANCE DECEMBER 31, 2009	PAID IN 2010	BALANCE DECEMBER 31, 2010
			DATE	AMOUNT				
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 915,000.00	8/1/11-13	\$ 25,000.00	5.00%			
			08/01/14	30,000.00	5.00%			
			8/1/15-16	30,000.00	5.13%			
			08/01/17-18	30,000.00	5.25%			
			8/1/19-20	35,000.00	5.25%			
						\$ 320,000.00	\$ 25,000.00	\$ 295,000.00
						\$ 320,000.00	\$ 25,000.00	\$ 295,000.00
			REF.			B	B-2	B

"B-25"

SCHEDULE OF STATE OF NEW JERSEY TRUST LOAN PAYABLE - NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FUND LOAN

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING		BALANCE DECEMBER 31, 2009	PAID IN 2010	BALANCE DECEMBER 31, 2010
			DATE	AMOUNT			
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 872,646.00	08/01/11	\$ 24,596.67			
			08/01/12	23,830.89			
			08/01/13	23,065.11			
			08/01/14	25,362.44			
			08/01/15	24,443.51			
			08/01/16	2,183.24			
					\$ 148,844.31	\$ 25,362.45	\$ 123,481.86
					\$ 148,844.31	\$ 25,362.45	\$ 123,481.86
			REF.		B	B-2	B

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR PAYROLL DEDUCTIONS

	<u>REF.</u>	
Balance, December 31, 2009	B	\$ (1,981.07)
Increased by:		
Receipts	B-2	<u>5,525,098.58</u>
		\$ <u>5,523,117.51</u>
Decreased by:		
Disbursements	B-2	<u>5,521,928.74</u>
Balance, December 31, 2010	B	\$ <u><u>1,188.77</u></u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>		
Balance, December 31, 2009	C		\$ 1,389,643.01
Increased by Receipts:			
Deferred Charges To Future Taxation - Unfunded	C-5	\$ 100,000.00	
Receipts on Fully Funded Authorizations	C-1	3,363.94	
Reserve for Debt Service	C-6	21,875.00	
Bond Anticipation Notes Payable	C-17	4,500,000.00	
Refunds	C-10	6,250.00	
			<u>4,631,488.94</u>
			\$ 6,021,131.95
Decreased by Disbursements:			
Contracts Payable	C-7	\$ 1,053,485.57	
Due Current Fund	C-19	106,250.00	
Surplus Appropriated in Current Fund	C-1	300,000.00	
Bond Anticipation Notes Payable	C-17	3,895,000.00	
			<u>5,354,735.57</u>
Balance, December 31, 2010	C		\$ <u>666,396.38</u>

"C-3"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	<u>REF.</u>	BALANCE DECEMBER 31, 2010
Fund Balance		\$ 540,736.94
Capital Improvement Fund		89,647.72
Improvement Authorizations-Funded		2,397,762.90
Unfunded Improvements Expended - Listed on "C-5"		(1,165,049.76)
Contracts Payable		607,322.28
Unexpended Proceeds of Bond Anticipation Notes - Listed on "C-5"		167,648.32
Reserve for Grant Receivable		200,000.00
Reserve for Debt Service		43,786.22
Interfunds		(1,652,958.24)
State Aid Receivable		<u>(562,500.00)</u>
	C	\$ <u>666,396.38</u>

"C-4"

SCHEDULE OF DEFERRED CHARGES TO
FUTURE TAXATION - FUNDED

Balance, December 31, 2009	C	\$ 19,495,418.93
Decreased by:		
Appropriation to Pay Bonds	C-11	\$ 1,189,000.00
Appropriation to Pay Loans:		
Environmental Infrastructure Trust	C-12	30,000.00
Environmental Infrastructure Fund	C-13	33,128.07
Economic Development Authority	C-14	11,939.62
Green Trust	C-15	<u>57,640.18</u>
		<u>1,321,707.87</u>
Balance, December 31, 2010	C	\$ <u>18,173,711.06</u>

[illegible]

"C-6"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR DEBT SERVICE

	<u>REF.</u>		
Balance, December 31, 2009	C	\$	21,911.22
Increased by:			
Receipts	C-2		<u>21,875.00</u>
Balance, December 31, 2010	C	\$	<u><u>43,786.22</u></u>

"C-7"

SCHEDULE OF CONTRACTS PAYABLE

Balance, December 31, 2009	C	\$	1,042,701.34
Increased by:			
Improvement Authorizations	C-10		<u>767,245.39</u>
		\$	<u>1,809,946.73</u>
Decreased by:			
Disbursements	C-2	\$	1,053,485.57
Canceled	C-10		<u>149,138.88</u>
			<u>1,202,624.45</u>
Balance, December 31, 2010	C	\$	<u><u>607,322.28</u></u>

"C-8"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL IMPROVEMENT FUND

REF.

Balance, December 31, 2009
and December 31, 2010

C

\$ 89,647.72

"C-9"

SCHEDULE OF DUE ASSESSMENT TRUST FUND

Balance, December 31, 2009
and December 31, 2010 (Due From)

C

\$ 1,546,708.24

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL SERIAL BONDS

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS OUTSTANDING</u>		<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2009</u>	<u>BALANCE DECEMBER 31, 2010</u>
			<u>DATE</u>	<u>AMOUNT</u>			
General Improvement	01/01/95	\$ 1,724,000.00				\$ 114,000.00	\$ 114,000.00
General Improvement	05/01/99	8,141,000.00	05/01/11	\$ 600,000.00	4.35%		
			05/01/12	600,000.00	4.38%		
			05/01/13	600,000.00	4.40%		
			05/01/14	541,000.00	4.40%	2,941,000.00	2,341,000.00
General Improvement	08/15/07	15,609,000.00	08/15/11-12	475,000.00	4.25%		
			08/15/13	500,000.00	4.25%		
			08/15/14	535,000.00	4.25%		
			08/15/15-17	900,000.00	4.25%		
			08/15/18	950,000.00	4.25%		
			8/15/19-26	950,000.00	4.375%		
			08/15/27	949,000.00	4.375%	14,659,000.00	14,184,000.00
						<u>\$ 17,714,000.00</u>	<u>\$ 1,189,000.00</u>
						<u>\$ 1,189,000.00</u>	<u>\$ 16,525,000.00</u>
					<u>REF.</u>	<u>C</u>	<u>C-4</u>
							<u>C</u>

BOROUGH OF WATCHUNGGENERAL CAPITAL FUND

SCHEDULE OF STATE OF NEW JERSEY TRUST LOAN PAYABLE - NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING		INTEREST RATE	BALANCE DECEMBER 31, 2009	PAID IN 2010	BALANCE DECEMBER 31, 2010
			DATE	AMOUNT				
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 915,000.00	08/01/11	\$ 20,000.00	5.00%			
			08/01/12-14	25,000.00	5.00%			
			08/01/15	25,000.00	5.13%			
			08/01/16	30,000.00	5.13%			
			08/01/17	30,000.00	5.25%			
			08/01/18-19	35,000.00	5.25%			
			08/01/20	40,000.00	5.25%	\$ 310,000.00	\$ 20,000.00	\$ 290,000.00
NJ Environmental Infrastructure Trust 2001B	11/08/01	230,000.00	08/01/11-13	10,000.00	5.00%	160,000.00	10,000.00	150,000.00
			08/01/14-21	15,000.00	5.00%			
					\$	470,000.00	\$ 30,000.00	\$ 440,000.00
						C	C-4	C
					REF.			

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF STATE OF NEW JERSEY FUND LOAN PAYABLE - NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FUND LOANS

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING		BALANCE DECEMBER 31, 2009	PAID IN 2010	BALANCE DECEMBER 31, 2010
			DATE	AMOUNT			
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 872,646.00	08/01/11	\$ 21,221.22	\$ 141,728.76	\$ 21,828.96	\$ 119,899.80
			08/01/12	23,652.16			
			08/01/13	22,892.49			
			08/01/14	22,132.82			
			08/01/15	21,373.16			
			08/01/16	8,627.95			
NJ Environmental Infrastructure Trust 2001B	11/09/01	226,237.00	08/01/11	10,980.82	\$ 134,952.92	\$ 11,299.11	\$ 123,653.81
			08/01/12	10,662.54			
			08/01/13	10,344.26			
			08/01/14	13,129.25			
			08/01/15	12,651.82			
			08/01/16	12,174.39			
			08/01/17	11,696.96			
			08/01/18	11,219.54			
			08/01/19	10,742.11			
			08/01/20	10,264.68			
			08/01/21	9,787.44			
					\$ 276,681.68	\$ 33,128.07	\$ 243,553.61
					C	C-4	C
REF.							

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF STATE OF NEW JERSEY LOAN PAYABLE - GREEN TRUST LOAN PROGRAM

<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2010</u>		<u>BALANCE DECEMBER 31, 2009</u>	<u>PAID IN 2010</u>	<u>BALANCE DECEMBER 31, 2010</u>
		<u>DATE</u>	<u>AMOUNT</u>			
Watchung Lake Development	\$ 425,903.00	08/01/11	\$ 26,364.08			
		08/01/12	26,894.00			
		08/01/13	27,434.57			
		08/01/14	27,986.00			
		08/01/15	28,548.52			
		08/01/16	29,122.35			
		08/01/17	29,707.70			
		08/01/18	14,759.03	\$ 236,978.82	\$ 25,844.60	\$ 211,134.22
Best Lake Dam Restoration	750,000.00	2011	32,434.67			
		2012	33,086.61			
		2013	33,751.64			
		2014	34,430.06			
		2015	35,122.10			
		2016	35,828.05			
		2017	36,548.20			
		2018	37,282.82			
		2019	38,032.20			
		2020	38,796.65			
		2021	39,576.46			
		2022	40,371.95			
		2023	41,183.43			
		2024	42,011.21			
		2025	42,855.63			
		2026	43,717.04			
		2027	44,595.75			
		2028	45,492.13			
		2029	23,087.82			
				<u>750,000.00</u>	<u>31,795.58</u>	<u>718,204.42</u>
				<u>\$ 986,978.82</u>	<u>\$ 57,640.18</u>	<u>\$ 929,338.64</u>

REF.

C

C-4

C

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF STATE AID RECEIVABLE

REF.

Balance, December 31, 2009
and December 31, 2010

C

\$ 562,500.00

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

<u>ORDINANCE</u>	<u>ORIGINAL DATE OF ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2009</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2010</u>
Various Public Improvements	3/2/06	3/2/09	3/2/10	2.00%	\$ 3,895,000.00	\$	\$ 3,895,000.00	\$
Various Public Improvements	3/2/06	2/23/10	3/1/11	1.00%		4,500,000.00		4,500,000.00
					<u>\$ 3,895,000.00</u>	<u>\$ 4,500,000.00</u>	<u>\$ 3,895,000.00</u>	<u>\$ 4,500,000.00</u>
				<u>REF.</u>	C	C-2	C-2	C:5

"C-18"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR GRANT RECEIVABLE

REF.

Balance, December 31, 2009
and December 31, 2010

C

\$ 200,000.00

"C-19"

SCHEDULE OF DUE CURRENT FUND

Increased by:
Disbursements

C-2

\$ 106,250.00

Balance, December 31, 2010 (Due From)

C

\$ 106,250.00

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2010</u>
03-03/06-27	Various Road Sanitary Sewer Improvement Project	\$ 123,800.00
03-04/06-03/06-04	Various Road Water Improvement Project	38,527.85
06-26/07-24	Various Public Improvements	347,426.00
06-29	Skyline & Johnston Sewer Improvements	20,000.00
08-05	Valley Road Sewer Extension Project	228,000.00
08-24	Reconstruction of Stani Glen & Anderson Roads	440,500.00
09-02	Reconstruction of Bayberry Lane & Johnston Drive	1,060,000.00
09-13	Various Public Improvements	241,775.00
09-16	Purchase of Radio Equipment	28,500.00
09-17	Purchase of Pickup Trust	47,500.00
		<hr/>
		\$ <u>2,576,028.85</u>

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH

	<u>REF.</u>	<u>PUBLIC ASSISTANCE TRUST FUND I</u>	<u>PUBLIC ASSISTANCE TRUST FUND II</u>	<u>FUND TOTAL</u>
Balance, December 31, 2009	E	\$ 5,740.88	\$ 1,626.78	\$ 7,367.66
Increased by:				
Receipts	E-2	20.55	5,820.00	5,840.55
		\$ 5,761.43	\$ 7,446.78	\$ 13,208.21
Decreased by:				
Disbursements	E-2	20.38	1,756.00	1,776.38
Balance, December 31, 2010	E	\$ 5,741.05	\$ 5,690.78	\$ 11,431.83

"E-2"

BOROUGH OF WATCHUNG
PUBLIC ASSISTANCE TRUST FUND
SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

	<u>REF.</u>	<u>PUBLIC ASSISTANCE TRUST FUND I</u>	<u>PUBLIC ASSISTANCE TRUST FUND II</u>	<u>FUND TOTAL</u>
Balance, December 31, 2009	E	\$ 5,740.88	\$ 1,626.78	\$ 7,367.66
Increased by:				
State Aid			5,820.00	5,820.00
Interest		20.55		20.55
	E-1	\$ <u>20.55</u>	\$ <u>5,820.00</u>	\$ <u>5,840.55</u>
Decreased by:				
General Assistance		\$ 20.38		\$ 20.38
Maintenance Aid			1,756.00	1,756.00
	E-1	\$ <u>20.38</u>	\$ <u>1,756.00</u>	\$ <u>1,776.38</u>
Balance, December 31, 2010	E	\$ <u>5,741.05</u>	\$ <u>5,690.78</u>	\$ <u>11,431.83</u>

"E-5"

SCHEDULE OF PUBLIC ASSISTANCE EXPENDITURES
YEAR ENDED DECEMBER 31, 2009

	<u>P.A.T.F. I</u>	<u>P.A.T.F. II</u>	<u>FUND TOTAL</u>
Current Year Assistance (Reported):			
Maintenance Payments	\$ 1,300.00	\$ 2,520.00	\$ 2,520.00
Other			1,300.00
<u>TOTAL DISBURSEMENTS</u>	\$ <u>1,300.00</u>	\$ <u>2,520.00</u>	\$ <u>3,820.00</u>

BOROUGH OF WATCHUNG

PART II

REPORTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

SCHEDULES OF EXPENDITURES
OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

NOTES TO THE SCHEDULES OF
EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Members
of the Borough Council
Borough of Watchung
County of Somerset
Watchung, New Jersey 07069

We have audited the accompanying financial statements - statutory basis of the Borough of Watchung, County of Somerset, New Jersey as of and for the year ended December 31, 2010, and have issued our report thereon dated July 25, 2011. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Watchung prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards, audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Watchung's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of Watchung's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Watchung's internal control over financial reporting.

SUPLEE, CLOONEY & COMPANY

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Borough of Watchung's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we noted immaterial matters involving the internal control that we have reported to the Borough of Watchung in the General Comments and Recommendations Section of this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Watchung's financial statements - statutory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted immaterial instances of noncompliance which are discussed in Part III, General Comments and Recommendations Section of this report.

This report is intended solely for the information of the Borough of Watchung, County of Somerset, New Jersey, the Division of Local Government Services and federal and state audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 50

July 25, 2011

BOROUGH OF WATCHUNG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL C.F.D.A. NUMBER	GRANT AWARD AMOUNT	GRANT PERIOD		2010 RECEIPTS	2010 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2010
			FROM	TO			
<u>U.S. Department of Homeland Security</u>							
Assistance to Firefighters Grant - Prior Year(s)	97.044	\$ 48,070.00		Continuous	\$	\$	\$ 46,370.40
<u>Pass Through From State of New Jersey</u>							
<u>U.S. Department of Justice</u>							
All Hazards Emergency Operation Planning - Prior Year(s)	83.562	2,405.72		Continuous			1,813.92
				<u>TOTAL</u>	\$ 0.00	\$ 0.00	\$ 48,184.32

BOROUGH OF WATCHUNGSCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2010

<u>STATE GRANTOR DEPARTMENT/PROGRAM TITLE</u>	<u>STATE ACCOUNT NUMBER</u>	<u>GRANT AWARD AMOUNT</u>	<u>2010 RECEIPTS</u>	<u>2010 EXPENDITURES</u>	<u>CUMULATIVE EXPENDITURES DECEMBER 31, 2010</u>
<u>DEPARTMENT OF HUMAN SERVICES</u>					
Public Assistance-State Share	7550-150-054-7550-121-LLL-6020	\$ 5,820.00	\$ 5,820.00	\$ 1,756.00	\$ 1,756.00
<u>DEPARTMENT OF LAW AND PUBLIC SAFETY</u>					
Drunk Driving Enforcement Fund - Prior Year(s)	1110-100-066-1110-YYYY	9,591.05	\$	\$ 422.80	\$ 1,860.63
Alcohol Education Rehabilitation Fund - Prior Year(s)	9735-760-098-Y900-001-X100-6020	3,120.47	\$	1,400.00	1,400.00
Alcohol Education Rehabilitation Fund	9735-760-098-Y900-001-X100-6020	1,357.37	\$ 1,357.37	\$	\$
			\$ 1,357.37	\$ 1,822.80	\$ 3,260.63
<u>NJ DIVISION OF CRIMINAL JUSTICE</u>					
Safe and Secure Communities - Prior Year(s)	1020-100-066-1020-232-YCJS-6120	114,250.00	\$	\$	\$ 60,000.00
Safe and Secure Communities	1020-100-066-1020-232-YCJS-6120	60,000.00	\$ 58,369.00	\$ 60,000.00	\$ 60,000.00
Body Armor Replacement Fund - Prior Year(s)	1020-718-066-1020-001-YCJS-6120	2,817.94	\$	715.00	1,222.00
Body Armor Replacement Fund	1020-718-066-1020-001-YCJS-6120	1,232.54	\$ 1,232.54	\$	\$
			\$ 59,601.54	\$ 60,715.00	\$ 121,222.00
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>					
Clean Communities Grant - Prior Year(s)	4900-765-042-4900-004-V42Y-6020	12,710.76	\$	\$ 750.00	\$ 750.00
Clean Communities Grant	4900-765-042-4900-004-V42Y-6020	12,007.02	\$ 12,007.02	\$	\$
Green Communities - Prior Year(s)	4870-100-042-4870-074-V42F-6120	2,000.00	\$	\$ 517.75	\$ 796.95
Recycling Tonnage Grant - Prior Year(s)	4900-752-042-4900-001-V42Y-6020	17,785.40	\$	560.00	8,443.74
Municipal Stormwater Regulation - Prior Year(s)	WQ05-517	16,936.00	\$ 12,007.02	\$ 1,827.75	\$ 9,990.69
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>					
Smart Growth Planning - Prior Year(s)	100-022-8070-039-999000	5,000.00	\$	\$	\$ 3,625.00
Special Legislative - Prior Year(s)	02-100-022-8030-394-FFFF-6120	10,000.00	\$ 0.00	\$ 0.00	\$ 3,625.00
<u>PASS-THROUGH COUNTY</u>					
PARIS Grant		31,292.00	\$	\$	\$
TOTAL		\$	\$ 78,785.93	\$ 66,121.55	\$ 139,854.32

BOROUGH OF WATCHUNG

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2010

NOTE 1. GENERAL

The accompanying schedules of expenditures of financial assistance present the activity of all federal and state financial assistance programs of the Borough of Watchung, County of Somerset, New Jersey. All federal and state financial assistance received directly from federal or state agencies, as well as federal financial assistance passed through other governmental agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of financial assistance are presented on the prescribed basis of accounting, modified accrual basis with certain exceptions, prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the budget laws of New Jersey, which is a comprehensive basis of accounting, other than U.S. generally accepted accounting principles. The basis of accounting, with exception, is described in Note 1 to the Borough's financial statements - statutory basis.

NOTE 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules of expenditures agree with the amounts reported in the related federal and state financial report.

NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS - STATUTORY BASIS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's statutory basis financial statements. These amounts are reported in either the Current Fund, General Capital Fund or Public Assistance Trust Fund Fund.

Receipts:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Current Fund	\$	\$ 72,965.93	\$	\$ 72,965.93
Public Assistance Trust Fund		<u>5,820.00</u>		<u>5,820.00</u>
	\$ <u>- 0 -</u>	\$ <u>78,785.93</u>	\$ <u>- 0 -</u>	\$ <u>78,785.93</u>

Expenditures:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Current Fund	\$	\$ 64,365.55	\$ 15,588.30	\$ 79,953.85
Public Assistance Trust Fund		<u>1,756.00</u>		<u>1,756.00</u>
	\$ <u>- 0 -</u>	\$ <u>66,121.55</u>	\$ <u>15,588.30</u>	\$ <u>81,709.85</u>

NOTE 5. OTHER

Matching contributions expended by the Borough in accordance with terms of the various grants are not reported in the accompanying schedules.

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PART III

BOROUGH OF WATCHUNG

STATISTICAL DATA

LIST OF OFFICIALS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2010

COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - CURRENT FUND

	YEAR 2010		YEAR 2009	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 1,325,000.00	3.69%	\$ 2,102,000.00	5.72%
Miscellaneous - From Other Than				
Local Property Tax Levies	4,203,148.66	11.70%	4,357,114.88	11.86%
Collection of Delinquent Taxes				
and Tax Title Liens	393,793.09	1.10%	277,148.54	0.75%
Interfunds Returned			5,458.95	0.01%
Collections of Current Tax Levy	29,989,950.04	83.51%	30,011,197.67	81.66%
<u>Total Revenue</u>	<u>\$ 35,911,891.79</u>	<u>100.00%</u>	<u>\$ 36,752,920.04</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures:				
Municipal Purposes	\$ 11,871,467.67	33.97%	\$ 12,626,926.56	35.14%
County Taxes	6,079,469.26	17.40%	6,382,960.92	17.76%
Local and Regional School Taxes	16,992,150.80	48.62%	16,578,343.86	46.12%
Municipal Open Space Taxes			345,603.85	0.97%
Refund of Prior Year Revenue			3,005.90	0.01%
Interfunds Advanced	0.64	0.01%		
<u>Total Expenditures</u>	<u>\$ 34,943,088.37</u>	<u>100.00%</u>	<u>\$ 35,936,841.09</u>	<u>100.00%</u>
Excess in Revenue	\$ 968,803.42		\$ 816,078.95	
Fund Balance, January 1	2,005,864.62		3,291,785.67	
	\$ 2,974,668.04		\$ 4,107,864.62	
Less: Utilization as Anticipated Revenue	1,325,000.00		2,102,000.00	
Fund Balance, December 31	<u>\$ 1,649,668.04</u>		<u>\$ 2,005,864.62</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Rate	\$ <u>1.921</u>	\$ <u>1.762</u>	\$ <u>1.680</u>
Municipal	\$ 0.462	\$ 0.407	\$ 0.401
Municipal Open Space		0.020	0.020
County (including Library)	0.350	0.337	0.333
County Open Space	0.035	0.034	0.033
Local School	0.723	0.646	0.590
Regional High School	<u>0.351</u>	<u>0.318</u>	<u>0.303</u>

Assessed Valuations:

2010	<u>\$1,580,694,587.00</u>		
2009		<u>\$1,717,712,484.00</u>	
2008			<u>\$1,818,101,284.00</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

A study of the tabulation will indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2010	\$30,491,314.63	\$29,989,950.04	98.36%
2009	\$30,447,218.70	\$30,011,197.67	98.57%
2008	\$30,676,525.97	\$30,353,849.30	98.95%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2010	\$662.30	\$470,887.19	\$471,549.49	1.55%
2009	-0-	\$399,312.03	\$399,312.03	1.31%
2008	-0-	\$276,032.89	\$276,032.89	0.90%

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance Current Fund</u>	<u>Utilized in Budget of Succeeding Year</u>
2010	\$1,649,668.04	\$730,000.00
2009	\$2,005,864.69	\$1,325,000.00
2008	\$3,288,009.32	\$2,102,000.00
2007	\$4,196,822.67	\$2,250,000.00
2006	\$4,633,853.64	\$2,000,000.00

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Albert S. Ellis	Mayor	*
Thomas P. Franklin	Council Member	*
Stephen L. Black	Council Member	*
Gerald M. Mobus	Council Member	*
Debra Joren	Council Member, President of Council	*
Stephen Pote	Council Member	*
William Nehls	Council Member	*
Laureen B. Fellin	Clerk, Administrator	*
Michelle DeRocco	Deputy Clerk, Registrar	*
William J. Hance	Chief Financial Officer, Treasurer, Purchasing Agent	*
Paula Heilman	Deputy Treasurer, Deputy Purchasing Agent	*
Albert E. Cruz	Attorney	

OFFICIALS IN OFFICE AND SURETY BONDS (CONTINUED)

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Catherine L. Park	Tax Collector, Tax Search Officer	*
Edward Kerwin	Tax Assessor	*
Pamela Steves	Court Administrator	*
Loretta J. Shpunder	Deputy Court Administrator	*
Frank W. Gasiorowski	Municipal Court Judge	*
Timothy Wenzel	Police Chief	*
Maser Consulting, P.A.	Engineer	
Edward P. Bennett	Construction Code Official	*
Anthony Saccaro	Fire Subcode Official	*
Joseph Nicastro	Plumbing Subcode Official	*
Martin McMorrow	Electrical Subcode Official	*
Robert Burns	Fire Inspector	*
Charles Gunther	Public Works Manager	*

* All officials and employees handling and collecting Borough funds are covered by the Borough's insurance policy and blanket bond through the Municipal Excess Liability Joint Insurance Fund.

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR (N.J.S.A. 40A:11-4)

Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds, not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971 c. 198 (C.40A:11-3), except by contract or agreement.

Effective July 1 2005, the bid threshold in accordance with N.J.S.A. 40A:11-4 is \$21,000.00. Effective October 13, 2008 the bid threshold in accordance with N.J.A.C. 40A:11-3 was increased to \$29,000.00 by resolution of the governing body. Effective July 1, 2010 the bid threshold in accordance with N.J.A.C. 40A:11-3 was increased to \$36,000 by resolution of the governing body. The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$36,000.00 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

The minutes indicated that bids were requested by public advertising for the following items:

Improvements to Johnston Drive
Shamrock Maintenance Services

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring or any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$36,000.00 for the performance of any work or the furnishing or hiring of any materials or supplies, other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

**COLLECTION OF INTEREST ON DELINQUENT
TAXES AND ASSESSMENTS**

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body on January 1, 2010 adopted the following resolutions authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Mayor and Council of the Borough of Watchung, as follows:

1. Taxes shall be collected quarterly on February 1, May 1, August 1 and November 1, 2010.
2. Payment of taxes shall be remitted to the Tax Collector of the Borough of Watchung.
3. Interest shall be charged and calculated at the rate of 8% per annum on first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00, to be calculated from the date the tax was payable until the date of actual payment received.
4. There shall be a 10 day grace period, after which unpaid taxes will be charged interest from the due date.
5. Redemption fee for Tax Sale Certificates to the Municipality as follows:
 - 2% on Certificates \$200.00 to \$4,999.99
 - 4% on Certificates \$5,000.00 to \$9,999.99
 - 6% on Certificates over \$10,000.00
6. Redemption amounts shall be obtained from the Tax Collector. A \$25.00 fee will be charged for each additional request for a redemption calculation.
- 6a. Duplicate Tax Sale Certificate - \$100.00 fee
- 6b. In lieu of publication, notice of tax sale to be mailed - \$25.00 fee
7. Bad check fee of \$20.00 shall be charged on all returned checks.
8. The Borough Clerk is hereby directed to publish a copy of this resolution.

DELINQUENT TAXES AND TAX TITLE LIENS

The last tax sale was held on July 22, 2011 and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

The following comparison is made up of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2010	-2-
2009	-0-
2008	-0-

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

VERIFICATION OF DELINQUENT TAXES AND OTHER CHARGES

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

Information Tax Positive Confirmation	50
Delinquent Tax Positive Confirmation	25

OTHER COMMENTS

Interfund Balances

Transactions invariably occur in one fund which require a corresponding entry to be made in another fund, thus creating interfund balances. Reference to the various balance sheets show the interfund balances remaining at year end. As a general rule all interfund balances should be closed out as of the end of the year. It is the Borough's policy to review and liquidate all interfund balances on a periodic basis.

Recreation Department

Our audit of the recreation department records, and related finance office records, revealed several discrepancies caused by a lack of formal procedures and controls over the receipt, turnover, and expenditure of funds related to the Borough's recreation programs.

Finance Department

Our audit of the general ledgers of the various funds of the Borough revealed numerous posting errors and omissions requiring adjustments.

Municipal Court

Our audit of the municipal court revealed that the fines account was not reconciled, and that the bail account had numerous errors in the reconciliations.

RECOMMENDATIONS

That the recreation department develop more efficient and accurate procedures and controls to ensure the proper handling of funds.

That the finance office maintain complete, detailed, and accurate general ledgers on a timely basis.

That the court office reconciles the fines and bail accounts accurately on a timely basis.

**ANNUAL AUDIT REPORT
FOR THE YEAR 2010**

MUNICIPAL COURT OF: BOROUGH OF WATCHUNG

COUNTY OF: SOMERSET

COURT INFORMATION:

ADDRESS: 840 SOMERSET STREET

PHONE: 908-757-1407

WATCHUNG, NEW JERSEY 07069-6327

COUNTY: SOMERSET

JUDGE: FRED W. GASIOROWSKI

COURT

DIRECTOR: N/A

COURT

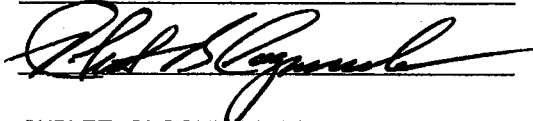
ADMINISTRATOR: PAMELA STEVES

REPORT COMPLETED BY:

NAME: ROBERT B. CAGNASSOLA

R.M.A. NUMBER: 50

SIGNED BY:



DATE: August 8, 2011

ADDRESS: SUPLEE, CLOONEY & COMPANY

308 EAST BROAD STREET

WESTFIELD, NEW JERSEY 07090

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDING DECEMBER 31, 2010

<u>AGENCY</u>	<u>BEGINNING BALANCE AS OF DECEMBER 31, 2009</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>ENDING BALANCE AS OF DECEMBER 31, 2010</u>
STATE OF NEW JERSEY	\$10,757.76	\$161,110.16	\$161,987.85	\$9,880.07
COUNTY	5,440.25	93,890.75	94,678.75	4,652.25
MUNICIPALITY	15,971.15	248,717.44	250,409.41	14,279.18
MUNICIPALITY - P.O.A.A.		16.00	16.00	
MUNICIPALITY - PUBLIC DEFENDER	2,020.00	5,962.00	7,321.50	660.50
CONDITIONAL DISCHARGE	75.00	875.00	950.00	
WEIGHTS AND MEASURES		15,400.00	12,800.00	2,600.00
FISH & GAME		100.00	100.00	
SPCA		200.00	200.00	
RESTITUTION	20.00	1,041.00	1,061.00	
MISCELLANEOUS		1,352.00	1,352.00	
DUE TO BAIL	250.00	1,550.00	1,800.00	
OVERPAYMENTS		193.00	193.00	
TOTAL FINES ACCOUNT	\$34,534.16	\$530,407.35	\$532,869.51	\$32,072.00
BAIL ACCOUNT	\$25,586.25	\$176,755.35	\$185,682.35	\$16,659.25
	<u>\$60,120.41</u>	<u>\$707,162.70</u>	<u>\$718,551.86</u>	<u>\$48,731.25</u>

*Was the ending balance disbursed by the 15th of the next month? YES If not, explain?

GENERAL MUNICIPAL COURT INFORMATION

1. Does this court serve more than one municipality? NO If so please list:

2. Amount paid or charged in 2010 to 2010 appropriations for salaries of judge(s) \$39,989.00
Other staff \$126,144.44 And expenses \$16,116.03
3. Is an approved statewide violations bureau schedule of fines prominently posted in the place where fines are to be paid to the violations clerk? YES
4. Does the court have an approved supplemental Local Violations Bureau Schedule? YES
If so, is it prominently posted in the place where fines are to be paid to the violations clerk?
YES
5. List staff members that are bonded:
- | | | | |
|---------------------|-----------------------------|----------------|--------------------|
| Judge | <u>Frank W. Gasiorowski</u> | Amount of Bond | <u>Blanket</u> |
| Court Director | <u></u> | Amount of Bond | <u>Bond</u> |
| Court Administrator | <u>Pamela Steves</u> | Amount of Bond | <u>\$50,000.00</u> |
| Deputy Court Adm. | <u>Loretta Shpunder</u> | Amount of Bond | <u></u> |
| Deputy Court Clerk | <u></u> | Amount of Bond | <u></u> |
6. When does Judges term expire? 1/23/2011
7. Are uniform traffic tickets serially numbered, properly controlled and accounted for? YES
8. Are tickets eligible for destruction disposed of in a timely and proper manner? YES

FINANCIAL PROCEDURES

Daily Financial Procedures

1. Are separate cash boxes maintained for each employee that receives money? NO
2. Who is responsible for completing the Daily Bank Deposit? Court Administrator or Deputy Court Administrator
3. Who is responsible for transporting the Daily Deposit to the bank? Court Administrator or Deputy Court Administrator
4. What procedures are followed to transport the moneys to the bank (i.e. security)?
Deposits are prepared, placed in plastic bags, and sealed. Police usually pick up deposit. Occasionally the deputy court administrator takes deposit to the bank instead of a police officer.

5. Are deposits made within 48 hours? YES If not, please explain:

6. Do the above cash handling procedures provide for adequate security and separation of responsibilities?

YES

7. Do the deposit slips match the totals provided by the Daily Batch and Criminal Journal?

YES

If no, please explain:

8. Do the Deposit slips match the daily totals displayed on the ATS Monthly Cashbook?

YES

If no, please explain:

9. Are the deposit slips attached to the ATS Daily Batch Report and Criminal Journal?

YES

10. As of what date or dates was cash counted, reconciliation made and bank balances confirmed?

7/21/2011

Monthly Financial Procedures

11. Are separate general/bail bank accounts maintained?

YES

12. Is the court utilizing the ATS/ACS monthly cash book?

YES

If no please explain:

13. Who is responsible for the municipal court financial procedures(name and title)?

PAMELA STEVES - COURT ADMINISTRATOR

14. Do the monthly disbursement checks equal account totals on part V of the ATS monthly cash book?

YES

If no, please explain:

15. Are moneys turned over to the proper agencies on or before the 15th of the month?

YES

If no, please explain:

16. Does the general account accrue interest?

NO

Bail?

NO

Is the interest turned over on a monthly basis?

N/A

17. Are overpayment checks written on a monthly basis?

YES

Interest?

NO

18. Is the bank reconciliation page of the monthly cash book completed and balanced?

YES

If no, please explain: _____

19. Are the fiscal records kept in a safe place?

YES

Bail Procedures

20. Is bail collected by the police department properly and promptly turned over to the municipal court?

YES

21. Are bail refunds done in a timely manner?

YES

Are the refund checks made out to the surety?

YES

22. Are bail forfeitures done in a timely manner?

YES

23. Are the cash balances on the Monthly Bail on Account Report equal to the account balance in the bail account?

YES

COMMENTS:

The fines account was not reconciled. The bail account had several errors in the reconciliations.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper appears to be a standard notebook page or a sheet of stationery. There is no handwriting or other markings on the page.

RECOMMENDATIONS:

That the fines and bail accounts be reconciled accurately on a timely basis.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

SUMMARY OR SYNOPSIS OF AUDIT REPORT FOR PUBLICATION

SUMMARY OR SYNOPSIS OF 2010 AUDIT REPORT
OF BOROUGH OF WATCHUNG AS REQUIRED BY N.J.S.40A:5-7

COMBINED COMPARATIVE BALANCE SHEETS-STATUTORY BASIS

	DECEMBER 31, 2010	DECEMBER 31, 2009
<u>ASSETS</u>		
Cash and Investments	\$ 7,800,317.09	\$ 9,297,336.54
Taxes, Assessments and Liens Receivable	1,947,409.37	2,176,255.11
Prospective Assessments - Funded	50,931.02	50,931.02
Accounts Receivable	2,676,851.96	2,419,449.57
Deferred Charges to Future Taxation - General Capital	25,249,739.91	26,740,694.69
General Fixed Assets	24,278,307.82	24,178,853.15
<u>TOTAL ASSETS</u>	<u>\$ 62,003,557.17</u>	<u>\$ 64,863,520.08</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Bonds, Notes and Loans Payable	\$ 23,092,192.92	\$ 23,859,263.24
Improvement Authorizations	3,976,390.31	5,223,553.33
Other Liabilities and Special Funds	7,667,604.12	8,820,547.82
Reserve for Certain Assets Receivable	704,266.12	415,296.23
Reserve for Investment in General Fixed Assets	2,284,795.88	2,366,006.31
Fund Balance	24,278,307.82	24,178,853.15
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 62,003,557.17</u>	<u>\$ 64,863,520.08</u>

BOROUGH OF WATCHUNG

COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGE IN FUND BALANCE - CURRENT FUND-STATUTORY BASIS

	<u>YEAR 2010</u>	<u>YEAR 2009</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 1,325,000.00	\$ 2,102,000.00
Miscellaneous-From Other Than Local		
Property Tax Levies	4,203,148.66	4,357,114.88
Collections of Delinquent Taxes and		
Tax Title Liens	393,793.09	277,148.54
Collections of Current Tax Levy	29,989,950.04	30,011,197.67
Interfunds Returned		5,458.95
<u>TOTAL INCOME</u>	<u>\$ 35,911,891.79</u>	<u>\$ 36,752,920.04</u>
<u>EXPENDITURES</u>		
Budget Expenditures:		
Municipal Purposes	\$ 11,871,467.67	\$ 12,626,926.56
County Taxes	6,079,469.26	6,382,960.92
Local and Regional School Taxes	16,992,150.80	16,578,343.86
Municipal Open Space Tax		345,603.85
Refund of Prior Year Revenue		3,005.90
Interfunds Advanced	0.64	
<u>TOTAL EXPENDITURES</u>	<u>\$ 34,943,088.37</u>	<u>\$ 35,936,841.09</u>
Excess in Revenue	\$ 968,803.42	\$ 816,078.95
Fund Balance, January 1	2,005,864.62	3,291,785.67
	<u>\$ 2,974,668.04</u>	<u>\$ 4,107,864.62</u>
Less: Utilization as Anticipated Revenue	1,325,000.00	2,102,000.00
Fund Balance, December 31	<u>\$ 1,649,668.04</u>	<u>\$ 2,005,864.62</u>



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

Ms. Laureen B. Fellin, Borough Clerk
Borough of Watchung
Municipal Building
15 Mountain Boulevard
Watchung, New Jersey 07069

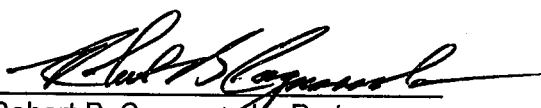
RE: BOROUGH OF WATCHUNG
SOMERSET COUNTY, NEW JERSEY

Dear Ms. Fellin:

Enclosed herewith please find copy of Report of Municipal Court prepared by us during the course of our audit for the year 2010.

Yours very truly,

SUPLEE, CLOONEY & COMPANY


Robert B. Cagnassola, Partner

August 8, 2011

RBC:mvf
Encls.

